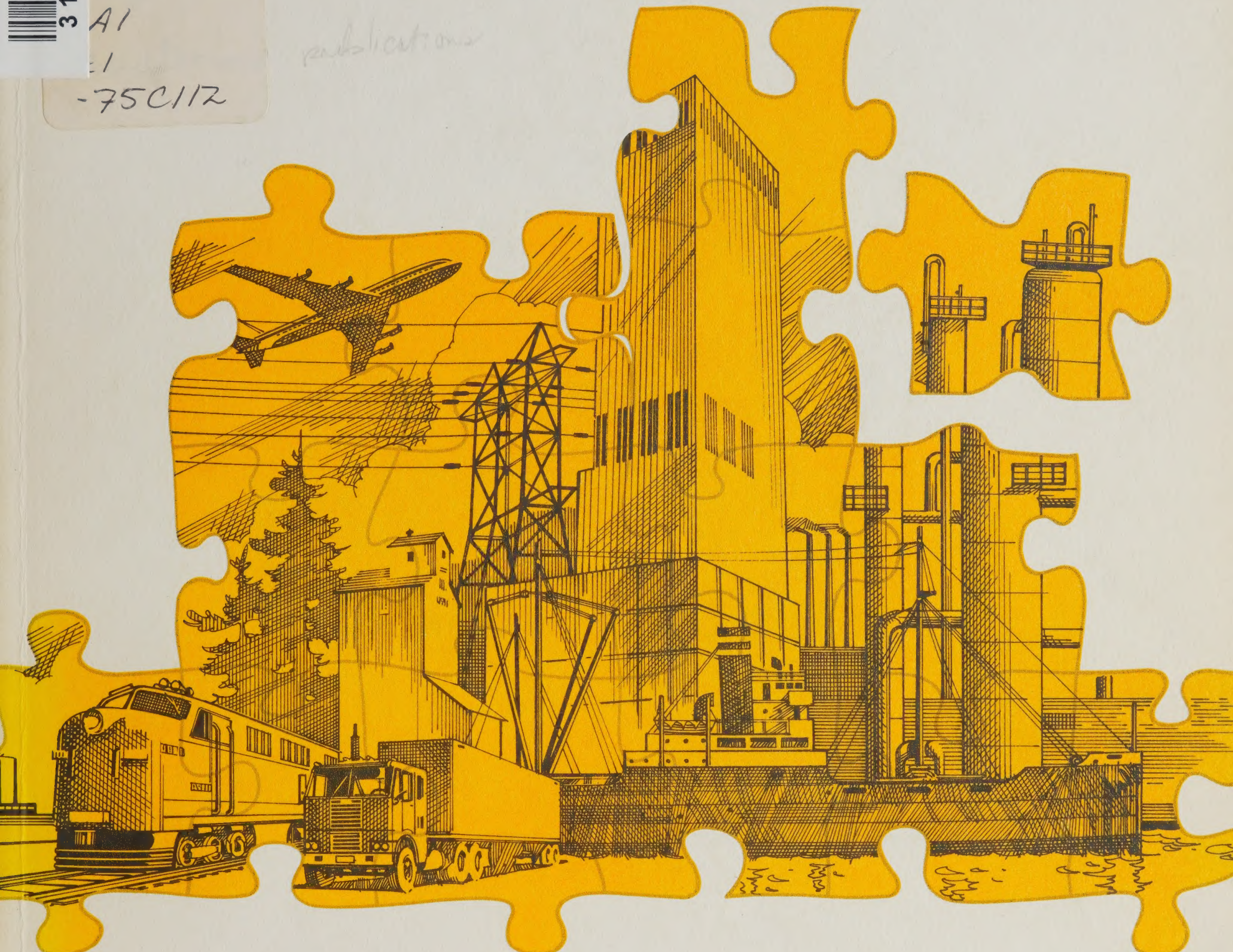
Royal Commission on Corporate Concentration



STUDY NO. 12

George Weston Limited

A Corporate Background Report

Royal Commission on Corporate Concentration

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George Weston Limited

A Corporate Background Report

by

D. Tigert

Burns Bros. and Denton Ltd.

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FOREWORD

In April 1975 the Royal Commission on Corporate Concentration was appointed to "inquire into, report upon, and make recommendations concerning:

(a) the nature and role of major concentrations of corporate power in Canada;

(b) the economic and social implications for the public interest of such concentrations; and

(c) whether safeguards exist or may be required to protect the public interest in the presence of such concentrations".

To gather informed opinion, the Commission invited briefs from interested persons and organizations and held hearings across Canada beginning in November 1975. In addition, the Commission organized a number of research projects relevant to its inquiry. One such project resulted in a series of studies, of which this is one, dealing with the growth of large and diversified corporations in Canada. The series was coordinated by Charles B. Loewen of Loewen, Ondaatje, McCutcheon & Co. Ltd., an investment firm in Toronto.

The report on George Weston Limited which follows is one of twelve studies in the series. It was prepared by Don Tigert, A.B. (Harvard), M.A. (Oxford). Mr. Tigert is a senior financial analyst with Burns Fry Limited and has been associated with his present firm since 1969. He is recognized as one of Canada's leading authorities in the merchandising field.

The Commission is publishing this and other background studies in the public interest. However, the analyses presented and conclusions reached in each study are those of the author, and do not necessarily reflect the views of the Commission or its staff.

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GEORGE WESTON LIMITED

INTRODUCTION AND OVERVIEW

Corporate History

The origins of George Weston Limited ("GWL") date back to 1882. In that year, Mr. George Weston, an 18-year-old baker's apprentice, purchased a bread route in Toronto and entered the bakery business. The business expanded rapidly, so that by 1896 "Weston's" was recognized as Toronto's largest bakery. Mr. Weston opened a modern new bakery in 1896 with a daily capacity of 3,200 loaves of bread. At this time, Mr. Weston had 40 employees and a weekly payroll of $350. Around 1900, the bakery business was incorporated as a private company called George Weston Bread & Cakes Ltd.

In 1910, Mr. Weston incorporated a second private company called George Weston, Limited which entered the biscuit business. A biscuit factory was built in 1910 at the corner of Peter and Richmond Streets in Toronto.

In 1918, following his return from World War I, Mr. W. Garfield Weston entered his father's biscuit business. In 1922, he introduced Canadian made "English Quality" biscuits to Canadian consumers. These biscuits achieved immediate popularity and helped to make "Weston's" a household name across Canada.

Mr. George Weston died in 1924. Mr. W. Garfield Weston became President of the company in 1924 and set out "to build a business that would never know completion but advance continually to meet advancing conditions"*.

George Weston Limited ("GWL") was incorporated in 1928 to acquire the assets and undertaking of the Weston biscuit business. In that year, GWL acquired William Paterson Limited, a biscuit and confectionery manufacturer in Brantford, Ontario. Combined sales of the two biscuit companies were about $3.0 million in 1928 and net profit was $168,000. In 1931, GWL acquired George Weston Bread & Cakes Ltd. from the Weston family.

GWL entered the U.S. biscuit business for the first time in 1928, through the acquisition of a 22% interest in George Weston Biscuit Co., Inc., based in Watertown, Mass. This company held the U.S. rights to manufacture Weston's "English Quality" biscuits. The company was subsequently recapitalized and the name changed to Weston Biscuit Co., Ltd. In 1933, GWL increased its ownership of the U.S. subsidiary to 90% as a result of a share exchange offer. Control was later increased to 100% and the name changed to Weston Biscuit Company Inc.

GWL invested in the U.K. biscuit business in 1933, through the acquisition of a 25% interest in George Weston Foods, Ltd. By 1935, sales of the U.K. company were in excess of the sales of GWL in Canada. In December, 1935, GWL sold its holding of 250,000 shares of George Weston Foods, Ltd. to the shareholders of GWL on a rights offering for $625,000. Mr. W. Garfield Weston moved to the U.K. in 1935 to concentrate on the development of his biscuit and bakery interests in England, Scotland and Ireland. Since 1935, Mr. Weston has relied on a few close associates in Canada to guide the affairs of George Weston Limited.

* George Weston Limited 1967 Annual report

From 1928 to 1949, GWL acquired ten companies in the bakery and biscuit business in Canada and three biscuit companies in the U.S. Weston's became the largest biscuit and confectionery company in Canada in 1937, following the acquisition of 100% of McCormick's Limited, based in London, Ontario. In 1944, Weston's diversified into the wholesale grocery business when it purchased control of Western Grocers Limited, based in Winnipeg. In 1948, Weston's acquired 100% of William Neilson Limited, a large chocolate and ice cream manufacturer based in Toronto. The net cost of the acquisition programme from 1928 to 1949 was about $12.0 million. These takeovers were financed from cash flow and from the issue of preferred shares in 1944 ($3.5 million) and 1948 ($3.0 million). The details of this acquisition programme are contained in Table 16 on Page 79.

Sales of GWL were about $84.0 million in 1950 and net profit was $1.9 million. These sales were all derived from food processing divisions, consisting of subsidiaries in the biscuit, bakery and chocolate & dairy industries. (The sales and earnings of Western Grocers were not consolidated in Weston's accounts until 1955, when 100% ownership was obtained). GWL reported that it had 6,000 employees in 1943.

In 1947, GWL agreed to buy 111,500 class B shares of Loblaw Groceterias Co., Limited over a five year period. This transaction was completed in 1952. By 1956, GWL owned 248,805 class B shares of Loblaw Groceterias, equivalent to a 26.1% equity interest. In January, 1956, Loblaw Companies Limited ("LCL") was incorporated as a holding company to acquire Loblaw Groceterias Co., Limited. GWL exchanged its holding of 248,805 class B common shares of Loblaw Groceterias Co., Limited for 995,222 class B voting shares of LCL, which represented a voting interest of 50.5% and an equity interest of 46.4%.

From 1953 to 1975, Loblaw Companies Limited acquired a large number of retail and wholesale distribution companies in Canada and the U.S. at an estimated net cost of $258 million. During the period from 1950 to 1975, George Weston Limited acquired a large number of manufacturing and distribution companies in Canada and the U.S. at an estimated net cost of $150 million. The details of these acquisitions are summarized in Tables 17 and 19*.

As a result of the acquisition programme and internal expansion, the consolidated sales of George Weston Limited in 1974 were $4,711 million and net profit was $40.2 million. In 1975, sales were $5,047 million. Net profit declined to $18.7 million. Weston's now employs 63,600 people in Canada and the U.S.

GWL has increased its equity interest in Loblaw Companies from 46.4% in 1956 to 87.1% in 1976, as a result of periodic open market purchases and some significant exchanges of assets. Loblaw Companies now owns all of Weston's subsidiaries in the retail and wholesale food distribution business. In 1975, consolidated sales of Loblaw Companies Limited were $3,952 million. Net profit was only $1.1 million in 1974 and $162,000 in 1975.

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* Tables 17 and 19 on pages 81 and 84.

George Weston Limited - A Case Study for the Royal Commission on Corporate Power

George Weston Limited, together with its subsidiary companies, constitutes an interesting case study for the Royal Commission on Corporate Power for the following reasons:

1. Sales - In terms of sales, GWL is the largest company in Canada. Consolidated sales of GWL have increased from about $84 million in 1950 to $4,711 million in 1974 and $5,047 million in 1975. Net profit increased from $1.9 million in 1950 to $40.2 million in 1974. However, net profit in 1975 declined to $18.7 million, due to several labour disputes, the economic slowdown and other special factors. See below:

	Sales (mil.)			Net Profit (mil.)		
Division	1950	1974	1975	1950	1974	1975
Food Processing	$84	$ 467	$ 536	$ 1.9	$ (1.3)	$ 11.2
Fisheries	-	187	175	-	2.3	1.0
Forest Products	-	221	158	-	30.3	3.1
Packaging	-	62	62	-	2.7	1.7
Food Retail & Wholesale	-	904	343	-	6.2	2.2
Loblaw Companies	-	3,038	3,952	-	-	(-0.5)
Inter-Company	NA	(168)	(179)			
Reported Sales	$84	$ 4,711	$ 5,047	$ 1.9	40.2	18.7

2. The Corporate Structure of GWL has changed significantly. In 1950, the sales of $84 million were derived purely from food processing. By 1975, GWL had added four other dimensions to its business as follows: (1) food retailing and wholesaling; (2) fisheries; (3) forest products; and (4) packaging. Within food processing, there are new divisions such as a sugar refinery and canneries and an import division.

3. Acquisitions - Since 1928, GWL has probably acquired more companies in more diverse fields than any other company in Canada. From 1944 to 1975, GWL spent $150 million on the acquisition of subsidiaries. From 1953 to 1975, Loblaw Companies spent a net amount of $258 million. GWL used a wide variety of methods to acquire and finance the ownership of these subsidiaries. In this report, the writer has concentrated on the growth of GWL from 1950 to 1975 and on the growth of Loblaw Companies Limited from its incorporation in 1956 to 1975. Section VII of this report contains detailed comments concerning the following acquisitions:

Loblaw Companies Limited
Loblaw Groceterias Co., Ltd.
Loblaw Inc.
National Tea Co.
Sayvette Limited
Eddy Paper Company Limited
British Columbia Packers Ltd.
Somerville Industries Limited
Kelly, Douglas & Company, Ltd.

In reviewing the acquisitions in detail, particular attention is paid to the following points of interest to the Royal Commission:

- the purchase price and method of payment;
- information concerning the share structure and ownership of subsidiaries;
- information concerning the lines of business and competitive position of selected subsidiary companies;
- information concerning the management of each subsidiary both before and after the acquisition, and the role of GWL in the selection, surveillance and improvement of the management.

Some of these comments are contained in Section VII. Other comments are included in Section V (Management), Section IV (Competitive Position) and Section VI (Transactions with Affiliates).

4. Competitive Position - Many of the manufacturing and retail/wholesale subsidiaries of GWL hold a large share of market for their product or services. However, despite the advantages of size and diversification, there are few instances where a Weston subsidiary is the acknowledged leader in a market segment. For example, in food retailing, competitors such as Dominion Stores, Canada Safeway and Steinberg's are more profitable, better financed, growing faster and enjoy a larger share of key markets than the Weston subsidiaries. In food processing, subsidiaries of U.S. companies such as Christie, Brown & Company, Standard Brands, and General Foods are significantly more profitable than the Weston subsidiaries, taken as a group. Several of Weston's retail subsidiaries have incurred losses in recent years.

5. Management Philosophy and Corporate Strategy - Since 1953, there have been three distinct eras at Weston's, in terms of management philosophy and corporate strategy. The three distinct time periods are covered in detail in Section V, and summarized below:

   (i) the Metcalf Years (1953 - 1967) - Under the leadership of Mr. George C. Metcalf, GWL expanded aggressively through acquisition and operated under a veil of secrecy. Financial planning was weak, and little control was exercised over subsidiary companies. Capital expenditures were inadequate in certain subsidiaries such as Loblaw Groceterias and National Tea Co.

   (ii) the Interim Period (1967 - 1974) - Mr. Keith G. Dalglish was Vice-President and Managing Director of GWL from December 1967 to January 1969. Mr. G.E. Creber was President and Managing Director from January 1969 to November, 1974. Under the leadership of Messrs. Dalglish and Creber, GWL entered a period of consolidation with a new emphasis on financial reporting and planning by the subsidiaries. Mr. Creber in particular worked hard to improve the communications between GWL and its shareholders and the investment community. The level of disclosure in GWL's annual reports improved significantly, including the disclosure of sales and earnings by division.

During the Interim Period, the senior management of GWL did not make many major changes in corporate strategy or corporate structure. Unresolved problems included the deteriorating position of Loblaw's supermarket operations in Canada and the U.S., heavy losses at Sayvette and Tamblyn, and a multiplicity of brands and a duplication of facilities in certain of the food processing subsidiaries. During the Interim Period, the central thrust of Weston's was unclear. For example, Mr. Dalglish favoured the development of GWL along the lines of Consolidated Foods in the U.S., with a heavy emphasis on food processing and marketing. Mr. Creber did not stress marketing to the same degree and subsequently became preoccupied with the need to provide financial assistance to the Loblaw Group.

(iii) the Weston Era of Total Corporate Planning and Greater Integration - Mr. W. Galen Weston was appointed a Director of GWL in 1968 and Chairman and Managing Director of GWL in November, 1974. Mr. Weston attracted a large number of new senior executives to GWL and its subsidiaries and commenced a far-ranging programme involving changes in corporate policy and corporate structure. The principal changes were:

(1) a major restructuring of all supermarket divisions, involving the closure of 600 stores in Canada and the U.S., new distribution centres, changes in pricing policy and the injection of large amounts of capital from affiliated companies;

(2) an emotional and financial commitment to make food retailing/wholesaling the dominant activity of GWL;

(3) the concentration of the ownership of all food retailing/wholesaling under Loblaw Companies Limited;

(4) a decision to close most or all of the 12 department stores operated by Sayvette Limited;

(5) a major programme of store closures at G. Tamblyn Limited, combined with new management and distribution systems designed to eliminate losses;

(6) the rationalization of brands and the elimination of some duplicate production and distribution facilities in the food processing divisions.

6. Ownership and Control - Voting control (51.5%) of GWL is held by Wittington Investments Limited, which in turn is controlled (84%) by the W. Garfield Weston Charitable Foundation. Wittington Investments is really the central company in the Weston Group by virtue of its controlling interest in GWL and its increasingly important role as a lender and lessor to the group. In recent years, there have been several exchanges of assets involving GWL, certain subsidiaries, and parent and affiliated companies including Wittington Investments, Wittington Realty & Construction Limited and Dicoa Limited. The report reviews these transactions in Section VI from the point of view of financial assistance extended to public companies and the treatment of minority interests.

7. Loblaw Companies Limited - Following an extensive reorganization during 1973-1975, GWL has transferred the ownership of all of its food retail and wholesale subsidiaries in Canada and the U.S. to Loblaw Companies Limited ("LCL"). GWL now owns 87.1% of LCL. The sales of LCL have increased from about $330 million in 1956 to about $3,952 million in 1975. The report devotes considerable space to the growth of LCL since 1956, covering such points as acquisitions, corporate strategy and management, relations with GWL and affiliated companies, and the treatment of minority interests.

8. Capital Expenditures - From 1953 to 1975, George Weston Limited spent about $568 million on the acquisition of fixed assets, including capital expenditures at existing businesses and the acquisition of subsidiaries. During the same period, Loblaw Companies Limited spent $729 million. Combined expenditures from 1953 to 1975 were about $1,297 million. After deducting disposals, the net increase in gross fixed assets at Weston-Loblaw from 1953 to 1975 was about $918 million. This suggests that fixed assets were reduced by $379 million during the period because of closures, the sale of assets and writeoffs. The heaviest disposals occurred at Loblaw Companies during the Interim Period from 1968 to 1974. See below:

WESTON-LOBLAW GROUP

ACQUISITION OF FIXED ASSETS
(millions)

		Additions			
Period Covered	Years	Weston	Loblaw	Writeoffs Disposals	Net Increase
The Metcalf Years	1953-1967	$ 256.	$ 369.	(57)	$568
The Interim Period	1968-1974	262.	313.	(298)	277
The Weston Era	1974-	50.	47.	(24)	73
Grand Total	1953-1975	568.	729.	(379)	$918

Source: Estimate by Burns Fry Limited.

Weston's average consolidated net profit (before minority interest) from 1970 to 1975 was only $23.7 million. In the opinion of the writer this average figure is far too low in relation to a $1.3 billion capital expenditure programme from 1953 to 1975.

9. Employment - GWL employed 425 people in its biscuit division in 1928, when the company was publicly incorporated. The number of employees increased to 6,000 by the end of World War II, following the acquisition of a number of biscuit and bakery companies in Canada and the United States. By 1950-1952, following the acquisition of William Neilson Limited, the average number of employees was about 9,500. In 1970, management reported that GWL provided employment to 29,000 people, including 4,000 fishermen who sold their catch to B.C. Packers. The figure of 29,000 included acquisitions such as B.C. Packers, Eddy Paper Company Limited, Somerville Industries Limited, Westfair Foods and Kelly, Douglas & Company Limited, but did not include any employees of Loblaw Companies Limited and its subsidiaries. Management of GWL indicates that the total number of employees in the Weston/Loblaw Group at the end of 1975 was 73,600. It is likely that GWL's total employment declined between 1970 and 1975. During this period, the Loblaw Group closed over 300 supermarkets in Canada and the U.S. and The E.B. Eddy Company ceased the manufacture of newsprint in Hull, P.Q. In 1976, the U.S. Supermarket Divisions closed or sold about 300 stores, principally in Chicago, Syracuse, Los Angeles, Denver and Davenport, Iowa. We estimate that employment in the U.S. declined by about 10,000 in 1976, from 24,600 to 14,600. The table on the following page provides summary data on employment at GWL, based on published data, management's comments and estimates by Burns Fry Limited.

Table 1
GEORGE WESTON LIMITED
AND SUBSIDIARY COMPANIES

Number of Employees

Division	1896	1928	1945	1950	1970	Estim. 1976
Food Processing						
Biscuit & Bakery	40	425	6,000	(8,000E	6,800	
Chocolate & Dairy				(	1,300	
Bowes Company						
Westcane Sugar						
Total Division	40	425	6,000	8,000E	8,100	10,000
Fisheries Division						
B.C. Packers					2,500	
B.C. Fishermen					4,000	
Connors Bros.					2,000	
Total Division	-	-	-	-	8,500	8,500
Forest Products						
E.B. Eddy						
Eddy Forest						
E. Fine Paper						
Sawmills						
Total Division	-	-	-	-	5,000	4,400
Packaging						
Total Division					1,400	1,400
Retail/Wholesale						
Kelly, Douglas					3,900	
Westfair Foods				1,500E	2,100	-
Total Division	-	-	-	1,500E	6,000	-
Loblaw Companies (1)						
Can. Retail					13,000E	13,500
Can. Wholesale					8,500E	10,200
Tamblyn/Sayvette					1,500E	1,000
U.S. Supermarkets					28,000E	14,600
Total Division	-	-	-	-	51,000E	39,300
TOTAL EMPLOYEES	40	425	6,000	9,500	78,600E	63,600

Note - (1) The Loblaw Group has never published any information concerning the number of employees. The peak level of employment in the Group was likely reached around 1965. The number of employees (full-time and part-time) in the U.S. Supermarket Division declined from 31,500 in 1965 to about 24,600 in 1975 due to the closure or sale of over 300 supermarkets. Employment declined again by about 10,000 in 1976, following the sale and closure of 300 supermarkets in the U.S.

Source: George Weston Limited
Management Comments, Annual Reports

10. Treatment of Minority Interests - Sections VI and VIII of the report discuss several transactions involving a change in ownership or an exchange of assets where minority interests were involved. The most interesting transactions are as follows:

(i) the Financial Assistance Programme to Loblaw Companies -From 1968 to 1974, Loblaw Companies raised $164.6 million through the sale of subsidiaries and real estate assets to GWL, Wittington Investments and Wittington Realty & Construction. Very little information was made public concerning the methods used to value the assets which were sold. Loblaw used the proceeds from the sales to repay funded debt, finance capital expenditures and to pay dividends which in some years were not earned. The basic question here is whether assets should be sold to affiliates to finance the payment of dividends to minority shareholders, and whether the Loblaw dividend should be paid when not earned.

(ii) the sale and resale of Kelly, Douglas & Company Limited - Loblaw Companies Limited acquired a 44.8% equity interest in Kelly, Douglas in 1958 for an estimated $8.4 million. This interest was sold to George Weston Limited in 1968 for $9.9 million. In 1975, GWL sold 100% of Westfair Foods Limited to Kelly, Douglas in a share exchange valued at $41.8 million. Including some open market purchases, GWL's investment in K-D was $54.2 million, equivalent to an 81.2% interest. This interest in K-D was sold to Loblaw Companies Limited in 1975 in a share exchange on the basis of 2.12 shares of Loblaw Companies Limited for one share of K-D. No share exchange offer was made to the minority class A shareholders of K-D, although it would have been to their material advantage to accept such an offer. During the period from 1958 to 1974, the dividend on class A shares of Kelly, Douglas remained unchanged at $0.25 per share, despite an increase in E.P.S. from $0.46 in 1958 to $1.13 in 1974. The dividend was $0.35 in 1976.

(iii) the sale and resale of Loblaw Inc. - Loblaw Companies Limited sold its 71.5% interest in Loblaw Inc. to National Tea Co. in 1969 for $24.2 million and repurchased a 73.1% interest in Loblaw Inc. from National Tea Co. in 1973 for $26.9 million. In the opinion of the writer, both these values were excessive in the light of erosion of the competitive position of Loblaw Inc. In this case, a valuation based on book value did not fully take into account the strong probability of writeoffs for the closure of unprofitable supermarkets. These writeoffs occurred in 1973-1974 and reduced the book value of Loblaw Inc. by $11.6 million. Further writeoffs occurred in 1975 and in 1976. In the opinion of the writer, the interests of minority shareholders in Loblaw Companies Limited were not fully protected in 1973 when the decision was made to reacquire Loblaw Inc. for $26.9 million.

Financial History

The financial history of George Weston Limited from 1950 to 1975 is set out in Tables A2 through A7 in the Appendix. Tables A12 through A15 contain the financial history of Loblaw Companies Limited from 1956 through 1975. Tables A8 to A11 and Tables A16 through A24 contain summary financial information on publicly owned subsidiaries of Weston's during the last decade.

The financial history of Weston–Loblaw under the leadership of different Presidents from 1953 to 1975 may be summarized as follows:

(1) the Metcalf Years (1953 - 1967) - Sales of GWL (excluding Loblaw) increased from about $110 million in 1953 to $622 million in 1967. During the same period, net profit increased from $2.3 million to $13.0 million. Acquisitions accounted for more than 100% of the increase in profits. The profits in the food processing division actually declined during this period. See below:

(millions) Profit - by Division	1953	1961	1962	1967
Food Processing	$2.1	$ 4.9	$ 4.4	$ 1.5
Forest Products	–	–	2.3	2.5
Fisheries	–	–	1.0	0.5
Packaging	–	1.0	1.2	1.7
Retail/Wholesale	–	1.4	1.5	2.3
Loblaw Dividend	0.2	0.7	0.8	2.3
Equity in Fine Fare	–	–	–	2.2
Total Net Profit	$2.3	$ 8.0	$11.2	$13.0

Source: Divisional profit estimates by Burns Fry Limited.

During the Metcalf Years, the sales of Loblaw Companies Limited increased dramatically, due to the acquisition of control of National Tea Co. in stages from 1956 to 1963, and the acquisition of many other companies (see Table 3*). At the time of its incorporation in 1956, sales of LCL were about $330 million. By 1967, sales had reached $2.4 billion. Net profit of LCL increased from $6.2 million in 1957 to a peak of $12.3 million in 1966. During this 10-year period, LCL's annual profits were equal to a return of 15% to 16% on shareholders' equity. However, since 1966, the net profit of LCL has declined almost every year, and losses were recorded during 1972 - 1973. In retrospect, it appears to the writer that the senior management of Weston-Loblaw was over-committed in the mid 1960's and was slow to react to intensified competition facing every supermarket division in the group.

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(2) the Interim Period (1967- 1974) - During this period, more professional management methods were introduced to Weston's, with greater emphasis on financial planning and control, and financial disclosure. Sales of GWL (excluding Loblaw) increased from $622 million in 1967 to $1,761 million. The sales growth in large part reflects the acquisition of subsidiaries from Loblaw Companies, including Kelly, Douglas & Company, O.K. Economy Stores, Loblaw West, Donlands Dairy and Johnson Biscuit Company, plus the acquisition of Brown Forest Industries, Eastern Fine Paper, Bowes Company, Limited, two flour mills and Stuart Limited. The net profit of the Weston consolidated group of companies increased from $13.0 million in 1967 to $40.2 million in 1974. However, as mentioned above, the earnings of Loblaw Companies declined significantly after 1966. On a pro forma fully consolidated basis, Weston's profits were stagnant from 1967 to 1972. In 1973 and 1974, despite the problems at Loblaw, Weston's profits increased significantly. This reflected an inflationary unsustainable surge in demand in the Fisheries Division in 1973 and in the Forest Products Division in 1973-1974. See below:

(millions)		——Loblaw Consolidation——			
Profit - by Division	1967	1967	1972	1973	1974
Food Processing	$ 1.5	$ 1.5	$ 5.9	$ 8.0	$ (1.3)
Forest Products	2.5	2.5	0.7	8.9	30.3
Fisheries	0.5	0.5	2.8	8.1	2.3
Packaging	1.7	1.7	1.8	1.6	2.7
Wholesale/Retail	2.3	2.3	5.1	5.5	6.2
Loblaw Dividend	2.3	-	-	-	-
Equity in Loblaw	-	4.5	(0.6)	(11.6)	-
Equity in Fine Fare	2.2	2.2	-	-	-
Total Net Profit	$ 13.0	$ 15.2	$ 15.7	$ 20.5	$ 40.2

(3) the Weston Era (1974 -) - Mr. W. Galen Weston was appointed Chairman and Managing Director of GWL in December, 1974. It appears that the "Weston Era" will be characterized by total corporate planning, greater integration and a renewed emphasis on marketing. The dominant activity of Weston's in future will be food retail and wholesale distribution. During 1974-1976, sweeping changes were made in the management and structure of the Loblaw supermarket subsidiaries in Canada and the U.S. The Canadian Supermarket Division has regained a level of profitability that is close to the industry average. The competitive position of both National Tea Co. and Loblaw Inc. was strengthened in 1976, as a result of decisions to sell or close 300 unprofitable supermarkets, principally in Chicago, Los Angeles, Denver and Syracuse. Profit levels in the U.S. supermarket subsidiaries are expected to improve significantly in 1977. Weston's consolidated earnings declined from $40.2 million in 1974 to about $18.7 million in 1975. Almost all of this decline reflects a cyclical downturn in the Forest Products Division plus five major labour disputes in Canada. (See Table A9*). During 1976, profits declined again to about $2.0 million. Weston's will require a significant increase in earnings to service the debt load associated with its $1,300 million capital expenditure programme from 1953 to 1975.

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SUMMARY AND CONCLUSIONS

Comments on Weston's Financial History

During the period 1953-1975, the Weston-Loblaw Group spent $1,300 million to acquire fixed assets, including $400 million related to the acquisition of subsidiaries and about $900 million on capital expenditures to maintain and expand existing businesses. In the opinion of the writer, the annual net profits of Weston's have never been high enough to justify the amount of $1,300 million that was spent on fixed assets over this twenty-two year period. The shortfall in profit strongly suggests that:

(i) A number of Weston's subsidiaries operate in highly competitive segments of the food business, in both Canada and the U.S.

(ii) There were some managerial weaknesses in Weston's during most of the period from 1953 through 1975.

(iii) Weston's, and Loblaw in particular, used an excessive amount of leverage (i.e. borrowed funds) in financing the acquisition of $1,300 million in fixed assets since 1953. This has resulted in an excessive amount of debt on the balance sheet and heavy annual "fixed costs" in the form of interest expense on bank loans and debentures. The increase in fixed costs was a primary reason for the decline in Loblaw's earnings since 1966.

Employment

It appears that total employment at Weston's actually declined between 1970 and 1976, certainly between 1965 and 1976. This further suggests that a significant portion of the $1,300 million capital expenditure programme from 1963 to 1974 was misdirected.

Treatment of Minority Interests

There are at least three instances from 1958 to 1975 where it is doubtful if the interests of minority shareholders were fully protected during important inter-company transactions within the Weston Group. No doubt, the moves of Weston's management were all legally correct at the time of the transactions. However, possibly the laws of Canada should be changed to provide additional protection to minority shareholders in all public companies.

The Need for Outside Directors

In many ways, "Weston's" is still a family business. At the end of 1974, all of the Directors were members of senior management. In 1975, only one outside Director was elected. The question is "Would the interests of the Weston family and the minority shareholders be better served if there were more outside Directors?" If such a step is desirable, it may be necessary to change the laws of Canada to guarantee such an event in cases where control of a public company is tightly held.

SCOPE AND LIMITATIONS OF THE REPORT

When the writer began this research study, there was an easy assumption that Weston's probably possessed a large amount of corporate power by virtue of its sheer size, in terms of sales, assets, number of employees and share of the total food market. However, the facts about Weston's which are discussed in this report point entirely in the other direction. Consider the following points:

(1) In food retailing, there is at least one supermarket chain (and sometimes more) in every province of Canada with a larger market share than the Weston retail subsidiary. Several of these companies, including Dominion Stores, Canada Safeway and Steinberg's appear to be in a stronger competitive position, are more profitable, growing faster and have stronger balance sheets than the Weston subsidiaries.

(2) In food wholesaling, the Weston subsidiaries lost a considerable amount of market share in the last decade, both to supermarket chains and to voluntary groups affiliated with The Oshawa Group, M. Loeb Limited (in Western Canada) and Provigo Inc.

(3) In the food processing divisions of Weston's, profit margins and sales growth are well below the figures reported by many competitors in Canada, which are typically subsidiaries of U.S. companies.

(4) Business Risks - Four divisions of Weston's (food processing, fisheries, forest products and packaging) are highly vulnerable to business "risks" - including inflation in commodity prices, fluctuations in demand during the business cycle and acts of nature which affect the salmon runs in the B.C. fishing industry. For example, in 1974 Westcane Sugar incurred an after-tax loss of $7.6 million due to violent fluctuations in raw sugar prices. Profits in the Forest Products Division declined from $30.3 million in 1974 to $3.1 million in 1975, due to a 20% decline in demand for fine papers and a major labour dispute.

(5) The Power of Organized Labour - In 1975, the pre-tax profit of Weston's was reduced by $12 to $15 million, due to labour disputes at Eddy Paper Company, Somerville Industries, Kelly, Douglas & Company, B.C. Packers and the Bakery Division. In several of these disputes the management of Weston's was in an impossible position, having to choose between unreasonable wage demands and the prospect of heavy losses during the period of a strike.

(6) The Increased Power and Intervention of Government - Each year seems to bring increased power and intervention by governments in the daily affairs of the food industry in Canada. For example, the provincial government in B.C. froze grocery prices for a 90-day period in the fall of 1975, but did not freeze operating expenses and certain wholesale costs. A most significant event occurred in October, 1975, with the announcement of federal wage and price controls and the establishment of the Anti-Inflation Board ("AIB"). Under the AIB regulations, profit margins in 1976 were restricted to a level below the average of the preceding five years, except in exceptional circumstances. The imposition of controls will pose special problems for Weston's during the next few years as management strives to increase profits to a level consistent with the capital employed in the business.

(7) Volume Rebates in the Food Distribution Business - "Volume rebates" or "earned allowances related to sales" are an important source of revenue and profit in the retail and wholesale food distribution business in Canada. Few facts are publicly available on this subject, which falls outside the scope of this report. Trade sources indicate that Dominion Stores' volume rebates are significantly higher than those of the Weston-Loblaw group. If so, this would reflect the fact that Dominion has the largest sales of any single food distribution company in Canada and possibly has more skilful buyers.

In evaluating the power and influence of "Weston's" in the Canadian food industry, the writer recommends that the Royal Commission on Corporate Concentration pay particular attention to the points (1) to (7) discussed in the preceding paragraphs.

SECTION II

CORPORATE STRUCTURE

DESCRIPTION OF DIVISIONS

1. FOOD RETAIL & WHOLESALE DISTRIBUTION
   Loblaw Companies Limited
   - U.S. Supermarkets
   - Canadian Supermarkets
   - Canadian Wholesale
   - General Merchandise
     - G. Tamblyn Limited
     - Sayvette Limited

2. FOOD PROCESSING DIVISION
   Bakery Division
   Biscuit Division
   Chocolate & Dairy Division
   Special Products (Bowes Company)
   Westcane Sugar Limited

3. FISHERIES DIVISION
   British Columbia Packers Limited
   Connors Bros., Limited

4. FOREST PRODUCTS DIVISION
   Eddy Paper Company Limited
   - The E.B. Eddy Company
   - Eddy Forest Products Limited
   - J.E. Boyle Limited
   - Rudolph McChesney Lumber Company Limited

   Eastern Fine Paper, Inc.

5. PACKAGING DIVISION
   Somerville Industries Limited

Chart 1

George Weston Limited

Food Processing

Bakery

Weston Bakeries Limited	100
Lane's Bakeries Limited	100
Allat's Bakery (1973) Limited	100
Stuart Ltd.	86
Soo Line Mills (1969) Limited	100
McCarthy Milling Company Limited	71
Wittich's Bread Limited	100

Biscuit

Interbake Foods Limited	100
Weston Foods Limited	100
McCormick's Limited	100
Imperial Cone Company—div.	
Paulin Chambers Co. Ltd.	100
Marven's Limited	100
G. J. Hamilton & Sons Limited	100
Kambly (of Switzerland) Canada Limited	100
Interbake Foods Inc.	100
Southern Biscuit—div.	
American Biscuit Company—div.	
Johnson Biscuit Company—div.	
Bates Packaging Services—div.	

Chocolate & Dairy

William Neilson Co. Limited	100
Donlands Dairy Limited	100
Clark Dairy Limited	98

Food Specialties

Bowes Company, Limited	100
Canadian Extract & Supply Co. Ltd.	100
Chocolate Products Limited	100
McNair Products Company, Limited	100
Rose & LaFlamme Limited	100
Saxonia Fruit Preserving Company—div.	
Watt & Scott Limited	100
Westcane Sugar-div.	
Niagara Food Products Limited	100

Fisheries

British Columbia Packers Limited	82
B.C. Packers (Quebec) Limited	100
NelPack Fisheries Limited	100
Nelbro Packing Company	100
McCallum Sales Ltd.	100
Rupert's Certi-Fresh Foods, Inc.	100
Coast Oyster Company	98
Sea Breeze Inc.	100
Connors Bros., Limited	97
H. W. Welch—div.	
Lewis Connors & Sons—div.	

Forest Products

Forest Products

Eddy Paper Company Limited	100
E.B. Eddy Forest Products Ltd.	100
Rudolph McChesney Lumber Company Limited	100
Eastern Fine Paper, Inc.	100

Retailing & Wholesaling

Loblaw Companies Limited	83

Canadian Operations

Kelly, Douglas & Company, Limited	83.5
Super-Valu Stores (B.C.)—div.	
Cal-Van, Canus Catering Services Ltd.	100
Isaacs Pharmacy Ltd.	100
Liggett Drug Limited	100
Barber Drug Company Limited	100
Tamblyn (Pacific) Limited	100
Tamblyn (Alberta) Limited	100
Tamblyn (Manitoba) Limited	100
Dickson's Food Services Ltd.	100
Fairview Farms Limited	100
Foremost Foods Ltd.	60
R. E. Sang Ltd.	100
Western Commodities Ltd.	100
Kingsway Frozen Foods—div.	
Meteor Meat Co. Ltd.	100
W. H. Malkin Ltd.	100
Westfair Foods Ltd.	100
Western Grocers—div.	
Dominion Fruit—div.	
O. K. Economy Stores—div.	
Shelly Brothers—div.	
Econo-Mart—div.	
Loblaw West—div.	
Loblaws Limited	99
Dionne Limited	100
Ziggy's Fast Foods Limited	100
Westcare Home Products Limited	100

National Grocers Company, Limited	100
Gordons Super Save—div.	
Super Save Markets—div.	
Red & White Food Master—div.	
O.K. Economy Markets—div.	
Lucky Dollar Food Stores—div.	
Atlantic Wholesalers—div.	
R. McGregor & Sons Ltd.	100
Kitchen Bros. Ltd.	100
Chignecto Holdings Ltd.	100
Save-Easy Supermarkets (1967) Ltd.	100
G. Tamblyn, Limited	100
Carter Drug Limited	100
Dault & McLean Drugs Limited	100
Tamblyn (Nova Scotia) Limited	100
Make-Up Lab. Inc.	75
Zehrmart Limited	100
Sayvette Div.	
Zehr's Markets Ltd.	100

United States Operations

Loblaw Inc.	100
Lewis Stores—div.	100
Better Foods—div.	100
Loblaws—div.	100
Farmers Supermarkets—div.	100
Peter J. Schmitt Co. Inc.	100
National Tea Co.	84
Canal Villere Foods—div.	
Kare Drugs of Minnesota—div.	
Wm. H. Heineman Bakeries—div.	
National Supermarkets—div.	
So Fresh Produce Co.—div.	
Standard Grocery Co.—div.	
Del Farm Foods Co.—div.	

George Weston Limited Operating Subsidiaries and Divisions

Showing % of common or participating shares owned by indicated parent company.

GEORGE WESTON LIMITED

DESCRIPTION OF DIVISIONS

1. FOOD RETAIL AND WHOLESALE DISTRIBUTION

Retail and wholesale distribution of food is the largest and most important activity of George Weston Limited, in terms of current sales ($4.5 billion) and potential profit. Following a major reorganization during 1973 - 1975, all of Weston's retail and wholesale food distribution subsidiaries are owned by Loblaw Companies Limited ("LCL"). Weston's owns 27.8 million shares of LCL (equity interest of 87.1%), acquired at an estimated cost of $127.8 million ($4.60 per share).

The principal operating subsidiaries of LCL appear below, with the parent company's percentage ownership in brackets:

U.S. Supermarkets
NATIONAL TEA CO., Chicago (84.0%), established in 1899. Control was acquired in stages from 1956 to 1963. National operates 220 supermarkets in four divisions based in St. Louis, Indianapolis, Minneapolis and New Orleans.

LOBLAW INC., Buffalo (100.0%), established in 1924. Control was acquired in 1953. This company operates about 75 supermarkets in Buffalo, Syracuse and Erie, Pa. trading as "Loblaw" and "Bells".

OLD STATE FOODS, INC., Buffalo (100.0%), acquired about 1963. Through subsidiary, Peter J. Schmitt Co., Inc., this company is a wholesale supplier to 55 "Bells" supermarkets located near Buffalo, N.Y.

Canadian Supermarkets
LOBLAWS LIMITED, Toronto (99.4%), established in 1919 as Loblaw Groceterias Co., Limited. Control acquired in stages from 1947 to 1956. Operates 147 Loblaw supermarkets in Ontario.

ZEHR'S FOOD MARKETS, LIMITED, Kitchener (100.0%), established in 1950; control acquired in 1963. Operates 27 Zehr's supermarkets in south-western Ontario.

DIONNE LIMITEE, Montreal (100.0%), established in 1931. Control acquired in 1959. Dionne operates 11 supermarkets in Montreal.

O.K. ECONOMY STORES, Saskatoon (100.0%), established in 1925. Control acquired in 1955. Operates 39 supermarkets in Saskatchewan (a wholly-owned subsidiary of Westfair Foods).

ECONO-MART, Winnipeg (100.0%) established around 1968, is a division of Westfair Foods Limited. Operates 19 Econo-Mart warehouse food markets in western Canada.

LOBLAW WEST, Calgary (100.0%), established in 1958, a division of Westfair Foods Limited. Operates 19 Loblaw supermarkets in Alberta and Manitoba.

SUPER VALU STORES, Vancouver (100.0%), a division of Kelly, Douglas & Company, Limited, established around 1958. Operates 40 corporately owned Super Valu supermarkets in B.C.

SAVE-EASY STORES, Sackville, N.B. (100.0%), a division of Atlantic Wholesalers Limited. Operates 25 Save-Easy corporately owned supermarkets in the Atlantic Provinces.

Canadian Wholesale

KELLY, DOUGLAS & COMPANY, LIMITED, Vancouver (81.2%), established in 1896. Control was acquired in 1958. K-D is a wholesale supplier to voluntary groups in B.C. including Super Valu, Red & White, Shop-Easy and Lucky Dollar. K-D also operates corporate stores trading as Super Valu, Econo-Mart and Tamblyn Drugmart.

WESTFAIR FOODS LIMITED, Winnipeg (100.0%), established in 1912. Control was acquired in 1944; it became a wholly-owned subsidiary of Weston's in 1955 and ownership was transferred to Kelly, Douglas in 1975. Westfair is a wholesale supplier to voluntary groups in Man., Sask. and Alberta, including Shop-Easy, Tom Boy and Red & White. Westfair operates some corporate stores trading as Loblaw and Econo-Mart.

NATIONAL GROCERS COMPANY, LIMITED, Toronto (99.8%), established in 1925. Control was acquired in 1955. National is wholesale supplier to voluntary groups in Ontario including Red & White, Super Save, Lucky Dollar and Maple Leaf, and the Becker's chain of convenience stores.

ATLANTIC WHOLESALERS LIMITED, Sackville, N.B., established in 1944. Control was acquired in 1959. Atlantic is a wholesale supplier to voluntary groups including Save-Easy and Red & White. There are 25 corporate stores trading as Save-Easy.

General Merchandise

G. TAMBLYN LIMITED, Toronto (100.0%), established in 1928. Control was acquired in 1965. Tamblyn operates about 100 retail drugstores in Ontario, trading as Tamblyn Drugmart.

SAYVETTE LIMITED, Toronto (100.0%), established in 1960. Control was acquired in 1969 and the ownership was increased to 100% in 1975. Sayvette operates five junior department stores in Ontario, following the closure of six stores in 1975.

2. FOOD PROCESSING DIVISION

Sales of the food processing divisions were about $536 million in 1975 compared with an estimated $84 million in 1950. This growth reflects a large number of acquisitions, and some internal expansion. The principal subsidiaries are as follows:

Bakery Division

WESTON BAKERIES LIMITED, Toronto (100.0%), incorporated in 1948 to consolidate the ownership of four other subsidiaries manufacturing bread, rolls and cakes. Plants are operated at: Toronto, Kingston, Kitchener, Kirkland Lake and Sudbury in Ontario; Longueuil, Quebec; Winnipeg, Manitoba; Regina and Moose Jaw, Saskatchewan; Calgary and Edmonton, Alberta; and Vancouver and Victoria, B.C.

SOO LINE MILLS (1969) LIMITED, Winnipeg (100.0%), acquired in 1970. This company operates a flour mill in Winnipeg.

McCARTHY MILLING COMPANY LIMITED, Streetsville, Ontario (68.0%), established in 1931. Control was acquired in 1972. McCarthy operates a flour mill in Streetsville that supplies Weston's bakeries in Ontario.

STUART LIMITED, Montreal (80.0%). Control was acquired in 1972. Stuart is a major producer of snack cakes under both Stuart and Weston labels.

Biscuit Division

WESTON FOODS LIMITED, Toronto (100.0%), business established in 1910. Operates biscuit plants at Toronto, Ontario, Longueuil, Quebec and Edmonton, Alberta.

McCORMICK'S LIMITED, London, Ontario (100.0%), established in 1858. Control was acquired in 1937. McCormick's manufactures biscuits, crackers, ice cream cones and confectionery.

PAULIN CHAMBERS CO. LTD., Winnipeg (100.0%), established in 1876. Control was acquired in 1937. Paulin manufactures biscuits and confectionery for the Western Canada market.

MARVEN'S LIMITED, Moncton, N.B. (100.0%), established in 1905. Control was acquired in 1955, when Weston's purchased all of the outstanding class B shares. Marven's manufactures biscuits, cake and potato chips for distribution in Quebec and the Atlantic Provinces. The Company also operates a plant at Pictou, N.S. through its wholly-owned subsidiary G.J. Hamilton & Sons Limited.

KAMBLY (OF SWITZERLAND) CANADA LIMITED, Toronto (100.0%), acquired from Loblaw Companies Limited in 1972. Kambly manufactures biscuits that are sold under private labels as well as the Kambly label.

INTERBAKE FOODS INC., Passaic, N.J. (100.0%). Weston's orginally invested in a biscuit plant in Watertown, Mass. in 1928. In 1933, this business was acquired by Weston Biscuit Company, Inc., and the name was changed to Interbake Foods Inc. in 1969. Biscuit plants were opened in Passaic, N.J. in 1934 and Battle Creek Michigan in 1936. Interbake acquired Southern Biscuit Company, Richmond Virginia in 1944, American Biscuit Company, Tacoma, Washington in 1949, and Johnsons Biscuit Company, Sioux City, Iowa (from Loblaws) in 1972. The U.S. subsidiaries produce a wide range of biscuits and crackers which are sold under the brand names of "Weston's English Quality Biscuits", "FFV" (Fine Foods of Virginia) and "ABC" (American Biscuit Company).

Chocolate & Dairy Division

WILLIAM NEILSON CO. LIMITED, Toronto (100.0%), established in 1893. In 1948, Weston's acquired over 98% of the common shares from Mr. W. Garfield Weston. Neilson's manufactures chocolate bars, boxed chocolates, cocoa and ice cream. Well-known brands include Neilson's "Jersey Milk Chocolate", first produced in 1926, Willard's "Sweet Marie" and "Golden" milk chocolate bars, "Devon" and "Neilson's" ice cream and many others.

DONLANDS DAIRY LIMITED, Toronto (100.0%), established in 1930. This business was acquired by Loblaw Groceterias in 1964 and sold to Weston's in 1972. Donlands operates a modern dairy in Toronto that produces fluid milk and other dairy products, principally for the Loblaw supermarket chain.

CLARK DAIRY LIMITED, Ottawa (97.0%), acquired by Weston's in 1974. Clark Dairy produces fluid milk and other dairy products for sale in Ottawa and eastern Ontario.

Special Products
BOWES COMPANY, LIMITED, Toronto (100.0%), established in 1893. Weston's acquired 100% of Bowes in 1972, as a result of a public takeover offer at $27.50 per share. Bowes is an importer and distributor of ingredients for the baking and confectionery industries. Products include nuts, dried and glazed fruits, health foods and cereals. Brands include "McNair", "Saxonia", "Watt & Scott".

Sugar Refinery
WESTCANE SUGAR LIMITED, Oshawa, Ont. (100.0%). In 1973, Weston's built a sugar refinery in Oshawa at a cost of $9.0 million. Annual capacity is 250 million lbs. of sugar, which is sold under the "Westcane" label in Canada and the U.S. A large part of the annual output is sold to Weston's food processing and distribution subsidiaries. Sales of Westcane Sugar were $76.2 million in 1975.

3. FISHERIES DIVISION

BRITISH COLUMBIA PACKERS LIMITED, Vancouver (81.8%), established in 1889. Weston's acquired control of B.C. Packers in 1959, and increased its ownership to 81.8% by 1975. BCP is Canada's largest processor of seafood products. Facilities include a large processing, freezing and storage plant at Steveston, B.C., with other plants at Namu and Prince Rupert, B.C., Bristol Bay, Alaska, Harbour Breton, Nfld., and in the U.S. at Santa Fe, Seattle, Chicago and Brownsville, Texas. Principal products include canned, frozen and fresh salmon, canned tuna, herring meal, and frozen shrimp. Well known brands of BCP include "Cloverleaf", "Rupert Brand", and "Paramount" in Canada and "Rupert's Certi-Fresh Foods" and "Sea Breeze" in the U.S.

CONNORS BROS., LIMITED, Black's Harbour, N.B. (96%) was acquired by Weston's in 1967. Connors is Canada's leading processor of sardines and specialty seafoods, which are marketed under the "Brunswick", "Jutland" and "Old Salt" brands.

4. FOREST PRODUCTS DIVISION

EDDY PAPER COMPANY LIMITED, Hull/Ottawa (100.0%), incorporated in 1946 to acquire a business established in 1851. Weston's acquired 100.0% ownership of EPC in 1962, following a successful share exchange offer. Principal subsidiaries include The E. B. Eddy Company in Hull, P.Q. and Eddy Forest Products Limited in Espanola, Ontario. These subsidiaries manufacture pulp, fine paper, paperboard and consumer products including tissues and towels. Annual output of Eddy Paper Company is about 175,000 tons of fine paper, 50,000 tons of consumer products, 25,000 tons of paperboard and 235,000 tons of sulphate pulp. Brand names include "White Swan", "Capri", "Babies Only Please" and "Onliwon" for consumer products and "Cheneaux", "Starbrite" and "Wellington Offset" for fine papers. Other subsidiaries include J.E. Boyle Limited and William McChesney Lumber Company Limited, which operate sawmills.

EASTERN FINE PAPER, INC., Brewer, Maine. This subsidiary, which was acquired by Weston's in 1969, produces quality fine papers for the U.S. market. The distribution organization of Eastern is an important vehicle for marketing fine paper in the U.S. which is produced by E.B. Eddy in Canada.

5. PACKAGING DIVISION

SOMERVILLE INDUSTRIES LIMITED, London, Ontario (100.0%), established in 1921. In 1957, Weston's acquired 100% of Somerville from Mr. W. Garfield Weston. Somerville manufactures a wide range of paperboard and plastic packaging products. Principal products include "Pure-Pak" plastic coated paperboard containers for milk, "Unipak" beer cartons and cigarette packages. Other divisions manufacture automotive trim components, games and puzzles. Sales of Somerville were $61.5 million in 1975. In December, 1976 Weston's announced that it had sold 100% of the common shares of Somerville to Belkin Packaging Ltd. of Vancouver.

SECTION III

FINANCIAL HISTORY

GEORGE WESTON LIMITED

Sales and Earnings - By Division
Food Processing Division
Fisheries Division
Forest Products Division
Packaging Division
Retail & Wholesale Food Division
Balance Sheet Analysis: Capital Expenditures

LOBLAW COMPANIES LIMITED

Sales and Earnings - By Division
Canadian Supermarket Division
Canadian Wholesale Division
U.S. Supermarket Division
Sayvette Limited
G. Tamblyn Limited

FINANCIAL HISTORY

1950 to 1975

GEORGE WESTON LIMITED

The financial history of George Weston Limited from 1950 to 1975 and its subsidiaries from 1965 to 1975 is set out in Tables A2 through A11*.

Table 2 on page 25 contains our analysis of Weston's sales and earnings - by division for the period from 1963 to 1975. The results of Loblaw Companies Limited were first consolidated in Weston's accounts in 1974. Table 2 includes a pro forma consolidation of Loblaw and Weston for the period from 1970 to 1975, which was prepared by Burns Fry Limited.

In 1950, sales of Weston's were about $84.0 million. Net profit was $1.9 million. All of the sales in 1950 were made by food processing companies in the Bakery, Biscuit, and Chocolate & Dairy Divisions.

From 1946 to 1975, Weston's spent $150 million on the acquisition of subsidiaries. From 1953 to 1975, Loblaw spent $258 million. (See Tables 17 and 19 on pages 81 and 84.)

As a result of acquisitions and internal growth, Weston's consolidated sales reached $4,711 million in 1974. Net profit was $40.2 million. In 1975, consolidated sales were $5,047 million. Net profit in 1975 declined to $18.7 million. The profit decline of $21.5 million in 1975 reflects the following factors:

(1) A decline of $28.2 million in the profit of the Forest Products and Packaging Divisions, due to labour stoppages and a cyclical downturn in the economy.

(2) An increase of $12.5 million in the profit of the Food Processing Division. (In 1974, this Division lost $1.3 million because of a start-up loss of $7.6 million by Westcane Sugar at its new refinery in Oshawa.)

(3) A decline of $1.3 million in the profit of the Fisheries Division, reflecting a major strike by the fishermen in the B. C. salmon industry.

(4) A decline of $4.5 million in the profit of the Wholesale & Retail Distribution Divisions, due to major operating losses by the supermarket subsidiaries in the U.S., (National Tea Co. and Loblaw Inc.).

* Pages 139-154

Table 2

GEORGE WESTON LIMITED

Estimated Sales and Earnings - By Division

(Millions)

Year to December 31	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
								----------- Loblaw Consolidation					-----------
Estimated Sales													
Food Processing	$ 160	$ 173	$ 170	$ 175	$ 179	$ 186	$ 203	$ 216	$ 226	$ 273	$ 337	$ 467	$ 536
Fisheries	58	66	68	77	98	101	110	107	113	128	176	187	175
Forest Products	37	41	44	50	54	56	88	116	119	117	140	221	158
Packaging	29	31	35	40	41	44	45	44	46	47	51	62	62
Wholesale & Retail	185	188	191	201	207	358	510	544	563	608	715	904	343
Loblaw Companies (1)	-	-	-	-	-	-	-	2,556	2,627	2,569	2,716	3,038	3,952
Inter-Company Sales	(29)	(36)	(40)	(15)	(13)	(15)	(24)	(113)	(128)	(69)	(135)	(168)	(179)
Consolidated Sales	440	463	486	580	622	730	932	3,470	3,566	3,673	4,000	4,711	5,047
Operating Profit	29.3	32.7	35.0	38.1	35.9	44.6	53.1	109.5	105.5	95.3	95.7	182.8	139.8
Loblaw Dividend	1.2	1.5	2.1	2.2	2.3	2.3	2.4	-	-	-	-	-	-
Investment Income	0.3	0.1	0.1	0.1	0.2	0.9	2.1	3.5	4.6	3.0	5.2	4.5	5.1
	30.8	34.3	37.2	40.4	38.4	47.8	57.6	113.0	110.1	98.3	100.9	187.3	144.9
Depreciation	7.3	7.2	8.2	9.4	11.0	12.6	15.7	43.0	43.7	43.5	45.0	48.6	54.5
Interest - F.,Debt	2.6	2.8	2.7	3.2	4.7	5.2	7.1	15.4	15.7	14.5	17.7	23.9	22.2
- S. Term	0.6	1.9	2.0	2.9	2.9	3.2	4.1	6.2	5.2	5.9	12.3	21.0	18.4
	10.5	11.9	12.9	15.5	18.6	21.0	26.9	64.6	64.6	63.9	75.0	93.5	95.1
Profit bef. Taxes	20.3	22.4	24.3	24.9	19.8	26.8	30.7	48.4	45.5	34.4	25.9	93.8	49.8
Income Taxes	9.4	10.2	11.0	11.5	8.4	11.9	13.1	23.4	19.7	12.9	20.7	48.9	26.9
Profit bef. Min. Interest	10.9	12.2	13.3	13.4	11.4	14.9	17.6	25.0	25.8	21.5	5.2	44.9	22.9
Minority Interest	0.6	0.9	0.7	1.3	0.6	1.8	2.2	11.1	11.5	5.8	(15.3)	3.6	2.2
Profit from Operations													
Food Processing	3.8	3.6	3.9	2.9	1.5	2.5	4.2	3.9	4.4	5.9	8.0	6.3	12.0
Westcane Sugar	-	-	-	-	-	-	-	-	-	-	-	(7.6)	(0.8)
Fisheries	0.1	0.7	0.5	0.9	0.5	1.3	1.5	1.6	1.9	2.8	8.1	2.3	1.0
Forest Products	2.4	2.8	2.9	3.2	2.5	1.8	2.2	1.4	0.2	0.7	8.9	30.3	3.1
Packaging	1.2	1.1	1.2	1.4	1.7	1.8	1.4	1.3	1.7	1.8	1.6	2.7	1.7
Wholesale & Retail	1.6	1.6	2.0	2.4	2.3	3.4	3.7	4.1	4.7	5.1	5.5	6.2	2.2
Equity in Fine Fare (UK)	-	-	-	1.3	2.2	-	-	-	-	-	-	-	-
Loblaw Dividend	1.2	1.5	2.1	2.2	2.3	2.3	2.4	-	-	-	-	-	-
Equity in Loblaw Cos.	-	-	-	-	-	-	-	1.6	1.4	(0.6)	(11.6)	1.1	1.5
Profit from Operations	10.3	11.3	12.6	14.3	13.0	13.1	15.4	13.9	14.3	15.7	20.5	41.3	20.7
Loss - Discont. Operations	-	-	-	-	-	-	-	-	-	-	-	(1.1)	(2.0)
Preferred Dividend	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.0	1.1	1.1	1.1
Earned for Common	9.3	10.3	11.6	13.3	12.0	12.1	14.5	13.0	13.3	14.7	19.4	39.1	17.6
No. of Shs. o/s (mil.)	10.3	10.3	10.4	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	11.0
Earnings Per Share	$0.90	$1.00	$1.12	$1.22	$1.10	$1.11	$1.33	$1.18	$1.21	$1.35	$1.76	$3.55	$1.60

Note:

The results of Loblaw Companies Limited for 1970-1974 have been restated to a calendar year basis and consolidated with Weston's accounts. The increase in sales in 1968 reflects the acquisition of Kelly, Douglas.

Weston's consolidated results for 1976 were not available at the time that this report went to press. However, based on results for the nine months ended September 30, 1976, the writer estimates that Weston's will report a consolidated profit of only $3.3 million for 1976, on a revenue base of $5,066 million. The sharp reduction in profit in 1976 reflects an estimated loss of $3.5 million in the Forest Products Division and a loss of $8.4 million attributable to Weston's equity in the operating loss of Loblaw Companies. See below:

Sales (millions)	1973	1974	1975	Estimate 1976
Wholesale/Retail				
Loblaw Group	2,716	3,038	3,952	4,270
K-D; Westfair (1)	715	904	343	-
	3,431	3,942	4,295	4,270
Food Processing	337	467	536	560
Fisheries	176	187	175	205
Forest Products	140	221	158	155
Packaging	51	62	62	68
Inter-Company	(135)	(168)	(179)	(192)
	$4,000	$4,711	$5,047	$5,066

Net Profit (mil.)	1973	1974	1975	Estimate 1976
Wholesale/Retail				
Loblaw Group	(11.6)	1.1	1.5	(8.4)
K-D; Westfair	5.5	6.2	2.2	-
	(6.1)	7.3	3.7	(8.4)
Food Processing	8.0	(1.3)	11.2	8.4
Fisheries	8.1	2.3	1.0	3.3
Forest Products	8.9	30.3	3.1	(3.5)
Packaging	1.6	2.7	1.7	3.5
Loss on Discont. Oper.	-	(1.1)	(2.0)	-
Net Profit	$ 20.5	$ 40.2	$ 18.7	$ 3.3

Note: (1) Weston's sold Kelly, Douglas & Company, Westfair Foods and Peter J. Schmitt to Loblaw during 1975.

Several interesting points emerge from an analysis of Weston's divisional results during the period from 1950 to 1975. They are as follows:

Food Processing Division

The Food Processing Division achieved a low rate of internal sales growth during the 1950-1975 period. There was a prolonged period of stagnant earnings (from 1950 to 1955) and a prolonged period of declining earnings (from 1961 to 1967). See below:

	1950	1955	1961	1967	1975
Sales (mil.)	$ 84.0	$130.0	$158.0	$179.0	$536.0
Est. Profit	1.9	2.1	4.9	1.5	11.2

From 1967 to 1975, sales increased from $179 million to $536 million, reflecting acquisitions and an upsurge in the rate of inflation. Net profit increased from $1.5 million in 1967 to $11.2 million in 1975.

The slow rate of internal sales growth from 1950 to 1975 reflects the loss of market share by Weston's Wholesale and Retail Distribution Divisions, which are the principal customers of the Food Processing Division. Weston's inter-company sales were $179 million in 1975. This is a small percentage of Weston's total sales (3.4%), but a much larger percentage (19.2%) of the combined sales of all of Weston's manufacturing divisions.

In a later section of this report, we point out that very few of Weston's manufactured products are sold by Dominion Stores and Canada Safeway, whose aggregate market share increased from 11.5% in 1955 to 23.8% in 1975. Publicly-owned food distributors who are good customers of Weston's Food Processing Division include Steinberg's, M. Loeb Limited, The Oshawa Group and A & P.

Net profit of the Food Processing Division, in 1975, was equal to 2.09% of sales (2.28% of sales, if Bowes Co. and Westcane Sugar are excluded). Weston's profit margins compare favourably with Canadian bakery companies such as Corporate Foods and General Bakeries. However, Weston's margins appear low in relation to the results of Canadian subsidiaries of U.S. companies, such as Christie Brown, General Foods, Standard Brands and Kellogg Salada.

In summary, it appears to the writer that Weston's Food Processing Division has been characterized by slow internal sales growth, profit margins which are below the industry averages, and that inter-company sales did not result in excessive profits in the food processing divisions.

Fisheries Division

The Fisheries Division of Weston's (B. C. Packers and Connors Bros.) achieved a sales gain of 222% from 1963 to 1974, due in part to the acquisition of Connors Bros. in 1967. Profits were relatively low during the period 1963-1972, both in relation to sales and invested capital. Profits increased significantly in 1973, due to a surge in world demand, supply shortages outside Canada, and higher prices. Profits declined significantly in 1974, due to a cost/price squeeze. In 1975, B. C. Packers earned $0.1 mil., due to a 13-week strike by the fishermen in B. C. In 1976, profits at B.C. Packers showed a modest recovery during the 40 weeks ended in October. During the entire period 1965-1976, profits in this Division were inadequate, in relation to both sales and invested capital.

Sales (mil.)	1973	1974	1975	Estimate 1976
B. C. Packers	$153.8	$161.7	$144.9	$170.0
Connors Bros.	22.5	25.4	30.1	35.0
Total	176.3	187.1	175.0	205.0
Net Profit (mil.)				
B. C. Packers	7.1	1.2	0.1	2.2
Connors Bros.	1.0	1.1	0.9	1.1
Total	8.1	2.3	1.0	3.3

Forest Products Division

The Forest Products Division of Weston's (Eddy Paper Company and Eastern Fine Paper, Inc.) achieved a sales gain of 497% from 1963 to 1974. This reflects the acquisition of J. E. Boyle Limited in 1965, and Brown Forest Industries Limited and Eastern Fine Paper, Inc. in 1969, plus a sharp increase in material costs, operating expenses and selling prices during 1973-1974. Net profit in this Division increased from $2.3 million in 1962 to $3.2 million in 1966, and then declined to about $0.2 million in 1971. Profit increased dramatically to $8.9 million in 1973 and $30.3 million in 1974, when profit margins were well above normal. In 1975, profit in the Division declined to $3.1 million, due to strikes in Hull/Ottawa and Espanola from September, 1975 to February, 1976. Looking at the entire period 1962-1975, it appears to the writer that profits in Weston's Forest Products Division were inadequate, in relation to both sales and invested capital. A loss of $3.5 million is projected for the Forest Products Division in 1976. See separate discussion on Eddy Paper Company and Table A9*.

Sales (mil.)	1973	1974	1975	Estimate 1976
Eddy Paper Company	$119.7	$194.3	$135.0E	$130.0
Eastern Fine Paper	20.4	26.5	23.2E	25.0
Total	140.1	220.8	158.2	155.0
Net Profit (mil.)				
Eddy Paper Company	9.2	28.9	3.0E	(3.8)
Eastern Fine Paper	(0.3)	1.4	0.1E	0.3
Total	8.9	30.3	3.1	(3.5)

Packaging Division

The Packaging Division of Weston's consists of Somerville Industries Limited ("SIL"), acquired in 1957. From 1965 to 1974, sales of SIL increased by 78.6%. Net profit increased from 1965 to 1967, remained fairly flat through 1973 and increased by 69% in 1974. In 1975, profit declined to $1.8 million due to a strike at the main plant in London, Ontario. Profit in 1976 was at a record level, estimated at $3.5 million. SIL earned an above average return on sales and invested capital from 1965 to 1976. See separate discussion and Table A10**.

* Eddy Paper Company, page 87; Table A9 page 152
** SIL, page 95; Table A10 page 153

	1973	1974	1975	Estimate 1976
Sales (mil.)	$51.3	$61.6	$61.5	$68.0
Net Profit	1.7	2.8	1.8	3.5
Pfd. Dividend	0.1	0.1	0.1	0.1
Earned for Common	1.6	2.7	1.7	3.4

Retail and Wholesale Food Division

The former distribution subsidiaries of Weston's are all owned by Loblaw Companies Limited, following a major program of reorganization during 1974-1975. See Table A20 (Kelly, Douglas) and Tables A21-A22* (Westfair Foods) and our detailed comments on the financial history of Loblaw Companies Limited, commencing on page 30.

Sales (mil.)	1973	1974	1975	Estimate 1976
Loblaw Group	2,716.0	3,038.0	3,952.3	4,270.0
Cdn. Wholesale	626.7	792.9	253.7	-(1)
U.S. Wholesale	88.7	110.9	88.5	-(1)
Total	3,431.4	3,941.8	4,294.5	4,270.0
Net Profit (mil.)				
Loblaw Group	(11.6)	Nil	(0.5)	(8.4)
Cdn. Wholesale	4.8	5.5	1.5	-
U.S. Wholesale	0.7	0.7	0.7	-
Total	(6.1)	6.2	1.7	(8.4)

Note: (1) These subsidiaries were sold to Loblaw by Weston during 1975.

Balance Sheet Analysis: Capital Expenditures

Table A4 contains the balance sheet history of Weston's from 1950 to 1975, and Table A5 contains data on the Source and Use of Funds from 1964 to 1975. See Appendix.**

Weston's expenditures on fixed assets were $568 million from 1953 to 1975. During the same period, Loblaw Companies spent $729 million; so consolidated expenditures were $1,297 million. After deducting disposals, the net increase in fixed assets at Weston-Loblaw from 1953 to 1975 was about $918 million. About 40% of this figure reflects acquisitions and approximately 60% ($550 million) reflects expenditures to maintain and expand existing businesses. In recent years, large amounts were spent by the retail subsidiaries to construct new supermarkets and to renovate existing stores. Major new distribution centres were opened in Toronto, Winnipeg and Chicago, and smaller warehouses were opened in about 10 other cities. In the Food Processing Divisions, large sums were spent by B. C. Packers in new processing plants, by Neilson's on productivity programs, and by Westcane Sugar to build a refinery in Oshawa. Eddy Paper has invested heavily in new machinery to produce fine paper for export, and in process control equipment to improve productivity.

Weston's average consolidated net profit (before minority interest) from 1970 to 1975 was only $23.7 million. In the opinion of the writer this average figure is far too low in relation to a $1,300 million capital expenditure program.

* Table A20-A22, pages 164-166
** Pages 143, 144

Financial analysts, shareholders and potential investors in Weston's had expected that GWL would achieve an increase in earnings of at least 100% during the period 1976-1978, because of Management's determination to earn a fair return on the heavy capital expenditures of recent years. A profit improvement of this magnitude appears doubtful in view of the Government's Anti-Inflation Policy. The Management of Weston's is concerned about this, because funds are required for the reduction of bank loans and funded debt, as well as for dividends and additional expenditures on fixed assets. We expect that Weston's will significantly reduce its capital expenditures during the period of federal controls on costs and prices.

At the end of 1975, Weston's consolidated balance sheet shows current bank loans of $213.9 million and bank term loans of $118.8 million, for a total of $332.7 million. It would be prudent to convert some of these bank loans into funded debt, through the public sale of debentures, or into equity capital through the issue of preferred or common shares. Weston's ability to do this will be affected to a major degree by the level of profits (and hence "coverage" of annual interest expense) that they are allowed to earn under the Federal Anti-Inflation Program.

Loblaw Companies Limited

The financial history of Loblaw Companies Limited ("LCL") from 1956 to 1975 and its subsidiaries from 1966 to 1975 is set out in Tables A12 through A24, which may be found in the Appendix*. Table 3 on page 31 contains our analysis of Loblaw's sales and earnings - by division for the period from 1965 to 1975.

At the time of its incorporation as a holding company in 1956, the consolidated sales of LCL in Canada were about $330 million. The sales and earnings of Loblaw Inc., based in Buffalo were consolidated in 1957. National Tea Co., based in Chicago, became a consolidated subsidiary in 1963. See Table A14**. LCL also acquired several distribution companies in Canada during the 1955-1965 period, including Power Supermarkets, Zehr's Markets, Dionne Limitee, O.K. Economy Stores, National Grocers, Atlantic Wholesalers, York Trading, Kelly, Douglas, Sayvette and Tamblyn. (See Table 19 on page 84.)

From 1965 to 1975, the consolidated sales of LCL increased by 81% from $2,187 million to $3,952 million. All or most of the increase in sales is attributable to acquisitions. The consolidated profit of LCL reached a peak of $12.3 million in 1966. In that year the profit before minority interest was $23.9 million, equal to 0.98% of sales.

	- Fiscal Year Ended -			— Calendar Year —		
Net Profit (mil.)	May 28 1966	Apr. 1 1972	Mar. 31 1973	39 wks. 1973	52 wks. 1974	53 wks. 1975
U.S. Supermarkets	$ 8.4	$ 5.2	$(5.6)	$(12.0)	$(1.3)	$(7.5)
Cdn. Supermarkets	3.8	(1.2)	0.5	(0.1)	7.1	9.2
Cdn. Wholesale	2.3	2.6	2.8	2.7	3.6	9.9(1)
Food Processing	0.3	0.3	-	-	-	-
G. Tamblyn	0.2	0.3	-	(0.8)	(1.8)	(3.1)
Sayvette	-	0.1	(0.7)	(1.9)	(2.6)	(4.5)
Carrying Costs	(2.7)	(3.2)	(3.5)	(2.1)	(3.9)	(3.8)
Net Profit	12.3	4.1	(6.5)	(14.2)	1.1	0.2

Note: (1) Reflects the acquisition of Kelly, Douglas & Company Limited for George Weston Limited.

* Pages 155-168
** Page 157

Table 3

LOBLAW COMPANIES LIMITED

Estimated Sales and Earnings - By Division

(millions)

Fiscal Year	52 wk. May 29 1965	52 wk. May 28 1966	53 wk. Jun.3 1967	43 wk. Mar.31 1968	52 wk. Mar.29 1969	52 wk. Mar.28 1970	53 wk. Apr.3 1971	52 wk. Apr.1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976
Estimated Sales												
U.S. Supermarkets	$1,384	$1,571	$1,487	$1,218	$1,551	$1,626	$1,640	$1,664	$1,572	$1,281	$1,830	$1,953
Cdn. Supermarkets	450	500	516	427	510	510	532	506	535	444	686	796
Cdn. Wholesale	378	413	449	391	378	315	328	337	363	294	451	1,146
Food Processing	18	20	20	18	24	15	17	17	-	-	-	-
G. Tamblyn Limited	26	29	30	29	38	43	47	52	62	49	74	63
Sayvette Limited						28	28	29	34	38	15	14
Est. Inter-Company	(69)	(92)	(103)	(70)	(48)	(12)	(10)	(12)	(6)	(10)	(18)	(20)
	2,187	2,441	2,399	2,013	2,453	2,525	2,582	2,593	2,560	2,096	3,038	3,952
Operating Profit	68.2	75.1	65.3	50.6	60.9	64.5	51.8	53.7	16.1	1.6	53.4	68.3
Investment Income	0.9	1.8	2.1	1.6	1.8	1.5	2.1	2.0	1.0	1.1	2.2	2.9
	69.1	76.9	67.4	52.2	62.7	66.0	53.9	55.7	17.1	2.7	55.6	71.2
Depreciation	22.1	24.0	24.2	19.7	24.5	25.3	25.4	26.3	25.0	19.0	25.3	32.4
Interest - F. Debt	4.0	4.1	4.5	4.0	6.1	7.8	7.6	8.4	8.1	6.9	11.9	11.5
- S. Term	3.1	3.2	3.7	3.6	3.2	2.3	2.3	2.0	2.5	4.8	8.1	8.3
	29.2	31.3	32.4	27.3	33.8	35.4	35.3	36.7	35.6	30.7	45.3	52.2
Profit bef. Taxes	39.9	45.6	35.0	24.9	28.9	30.6	18.6	19.0	(18.5)	(28.0)	10.3	19.0
Income Taxes	19.2	21.7	15.8	11.6	15.2	15.4	9.7	8.1	(9.0)	(5.5)	8.3	15.9
Profit bef. Min. Int.	20.7	23.9	19.2	13.3	13.7	15.2	8.9	10.9	(9.5)	(22.5)	2.0	3.1
Minority Interest	9.5	11.6	8.9	6.7	7.4	8.1	6.5	6.8	(3.0)	(8.3)	(0.8)	0.5
Profit from Operations												
U.S. Supermarkets	6.9	8.4	6.8	5.4	6.4	5.9	4.5	5.2	(5.6)	(12.0)	(1.3)	(7.5)
Cdn. Supermarkets	4.6	3.8	2.2	0.7	0.3	1.2	(2.6)	(1.2)	0.5	(0.1)	7.1	9.2
Cdn. Wholesale	2.2	2.3	2.8	2.4	3.3	2.7	2.2	2.6	2.8	2.7	3.6	9.9
Food Processing	0.3	0.3	0.4	0.3	0.4	0.4	0.3	0.3	-	-	-	-
G. Tamblyn Limited	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.3		(0.8)	(1.8)	(3.1)
Sayvette Limited	-	-	-	-	-	0.1	0.3	0.1	(0.7)	(1.9)	(0.9)	(2.1)
Est. Carrying Costs (1)	(0.7)	(0.5)	-	(0.8)	(2.3)	(2.0)	(1.2)	(1.9)	(2.2)	(1.1)	(2.6)	(2.5)
Loblaw Groc. Pfd. Div.	(2.3)	(2.2)	(2.2)	(1.7)	(2.1)	(1.4)	(1.3)	(1.3)	(1.3)	(1.0)	(1.3)	(1.3)
Profit from Operations	11.2	12.3	10.3	6.6	6.3	7.1	2.4	4.1	(6.5)	(14.2)	2.8	2.6
Loss Discont. Operations	-	-	-	-	-	-	-	-	-	-	(1.7)	(2.4)
Preferred Dividend	1.1	1.1	1.1	0.8	1.1	1.1	1.1	1.1	1.1	0.8	1.1	1.1
Earned for Common	10.1	11.2	9.2	5.8	5.2	6.0	1.3	3.0	(7.6)	(15.0)	Nil	(0.9)
No. of Share o/s (mil.)	11.1	11.1	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	23.7
Earnings Per Share	$0.91	$1.01	$0.81	$0.52	$0.46	$0.54	$0.12	$0.27	$(0.67)	$(1.32)	Nil	$(0.05)

Notes:
(P) Pro forma statement to reflect the acquisition of 81.2% of Kelly, Douglas & Company, Limited;
(E) Estimate
(1) Investment income less interest expense on funded debt of LCL and Groceterias, adjusted to an after-tax basis

Profit in the Canadian Supermarket Division declined from $4.6 million in 1965 to a loss of $2.6 million in 1971. This trend reflected poor management in most aspects of the business. The Division was thoroughly reorganized from 1971 to 1975 under the leadership of Mr. Galen Weston. Approximately 100 low volume supermarkets were closed or sold. Loblaw's prices became more competitive and powerful, new marketing programs were implemented. Sales increased significantly in the 1974-1976 period. Net profit increased to $7.1 million in 1974 and to $9.2 million in 1975. See Table A15*.

Sales and earnings in the Canadian Wholesale Division increased slowly but consistently from 1965 to 1974. A large increase in sales and earnings occurred in 1975 as a result of the acquisition of Kelly, Douglas & Company Limited from George Weston Limited. The subsidiaries in the Canadian Wholesale Division have been consistently well-managed.

Profit in the U.S. Supermarket Division reached a peak of $8.4 million in 1966. The earnings began to deteriorate between 1967 and 1972, as the U.S. subsidiaries failed to keep pace with their competitors with regard to discount pricing and expansion into larger stores in the suburbs. Significant losses occurred from 1973 through 1976. To stem these losses senior management of LCL in Canada took the initiative and directed the U.S. subsidiaries to close or sell over 600 unprofitable supermarkets. This "structural reform program" was nearing completion in the spring of 1977, following decisions to sell or close 160 stores comprising the Chicago Division of National Tea and 50 stores comprising the Syracuse Division of Loblaw Inc. Loblaw continues to operate profitable retail divisions in the U.S., based in St. Louis, New Orleans, Indianapolis, Minneapolis and Erie, Pa. The outlook for the retail division in Buffalo is not as bright. Overall, Loblaw expects to generate substantial profits in its U.S. Supermarket Division in 1977, for the first time since 1972.

Sayvette Limited incurred aggregate losses of $8.0 million from 1972 to 1974. This led to a decision to close six of Sayvette's eleven department stores in 1975. Extraordinary writeoffs in connection with this program were $6.9 million, in addition to Sayvette's operating loss of about $4.6 million in 1975.

G. Tamblyn Limited incurred aggregate operating losses of $7.5 million from 1972 to 1975. Loblaw took the initiative in recruiting new executives for Tamblyn, with experience at U.S. drug chains such as Osco and Pathmark. During 1976, Tamblyn operated near the breakeven point. At the time of the writing of this report, the future status of Tamblyn in the Loblaw Group had not been settled.

Sales (mil.)	1972	1973	1974	1975
Tamblyn	$ 62.1	$ 49.1	$ 73.7	$ 63.5
Sayvette	59.1	37.8	36.9	28.1
	121.2	86.9	110.6	91.6
Net Profit (mil.)				
Tamblyn	(0.1)	(1.4)	(2.9)	(3.1)
Sayvette	(1.1)	(2.7)	(4.2)	(4.6)
	(1.2)	(4.1)	(7.1)	(7.7)

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SECTION IV

COMPETITIVE POSITION

MARKET SHARE

Food Sales in Canada
Canadian Supermarket Division
Canadian Wholesale Division
U.S. Supermarket Division

TABLES & CHARTS

Table 4

FOOD SALES IN CANADA

(millions)

Total Market	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Supermarkets	$2,250	$2,401	$2,611	$2,806	$3,123	$3,516	$3,868	$4,166	$4,738	$5,801	$6,734
Other Food Chains	42	48	62	58	63	62	47	304	327	423	462
Independents	3,202	3,456	3,592	3,703	3,864	3,931	3,999	3,971	4,317	4,909	5,684
Department Stores	108	113	112	127	135	140	176	190	205	255	331
Total Market	5,602	6,018	6,377	6,694	7,185	7,649	8,090	8,631	9,587	11,388	13,211
George Weston											
Cdn. Wholesale/Retail	191	201	207	296	447	480	496	538	626	793	254
Food Processing	170	175	179	186	203	216	226	273	337	467	536
Other Divisions, Net	125	204	236	248	282	301	315	326	414	501	410
Reported Sales	486	580	622	730	932	997	1,037	1,137	1,377	1,761	1,200
Loblaw Companies											
Cdn. Retail	500	516	516	510	510	532	506	535	627	686	796
Cdn. Wholesale	413	449	473	378	315	328	337	363	375	451	1,146
U.S. Retail	1,458	1,487	1,473	1,551	1,626	1,640	1,664	1,572	1,614	1,830	1,953
Other Divisions, Net	(41)	(53)	(28)	14	74	82	86	90	87	71	57
Reported Sales	2,330	2,399	2,434	2,453	2,525	2,582	2,593	2,560	2,703	3,038	3,952
Dominion Stores (1)	514	544	584	603	635	713	923	1,072	1,234	1,599	1,854
Canada Safeway											
Cdn. Retail	349	394	426	464	491	576	624	708	820	1,007	1,203
Cdn. Wholesale	52	54	56	60	60	62	62	66	73	87	97
Overseas Div.			1	80	95	125	160	235	328	454	578
Reported Sales	401	448	483	604	646	763	846	1,009	1,221	1,548	1,878
Steinberg's (1)											
Cdn. Retail (Food)	334	359	384	407	494	595	672	759	888	1,063	1,250
Other Divisions	56	60	74	91	119	141	156	168	195	225	247
Reported Sales	390	419	458	498	613	736	828	927	1,083	1,288	1,497
A & P (Canada)	218	235	250	265	284	252	238	297	317	349	359
The Oshawa Group											
Cdn. Wholesale							179	247	295	357	434
Cdn. Retail							143	156	180	259	313
Other Divisions							168	197	223	251	277
Reported Sales	138	180	237	299	445	470	490	600	698	867	1,024
M. Loeb Limited											
Cdn. Wholesale	200	232	252	284	314	324	328	325	360	350	412
U.S. Wholesale				105	110	110	111	121	130	132	147
National Drug							92	100	117	125	148
Horne & Pitfield									204	291	341
Reported Sales	200	232	252	389	414	434	531	546	811	898	1,048
Provigo Inc.											
Cdn. Wholesale	115	125	148	172	190	192	195	210	231	267	316
Cdn. Retail	5	6	8	10	12	17	28	42	70	93	162
Reported Sales	120	131	156	182	202	209	223	252	301	360	478
Sobeys Stores	59	63	70	78	88	93	105	127	152	181	209
Overwaitea (Neonex)	33	36	40	46	52	57	67	72	83	100	117

Note (1) Sales are adjusted to a calendar year basis.

COMPETITIVE POSITION

MARKET SHARE

Food Sales in Canada

Consumer expenditures on food in Canada increased from $3.4 billion in 1955 to $5.6 billion in 1965 and $13.2 billion in 1975. According to Statistics Canada, the market share of supermarket chains has increased from 40.2% in 1965 to 51.0% in 1975. This primarily reflects the above average growth of Dominion Stores, Steinberg's Limited, Canada Safeway and The Food City Division of the Oshawa Group. See Table 4.

Weston's Market Share

The share of the total retail food market held by Weston/Loblaw increased from 17.5% in 1955 to 19.7% in 1965. Weston's share declined to 17.5% in 1970 and to 16.6% in 1975. These market share figures for Weston's are estimates by Burns Fry Limited on the assumption that all of Weston's existing distribution subsidiaries were owned in 1955, 1965 and 1975. In Table 5 below, we compare the market share of Weston/Loblaw with the other large publicly owned food distributors:

Table 5

FOOD SALES IN CANADA

(millions)

Sales	1955	1965	1970	1974	1975
Weston/Loblaw					
Cdn. Retail	$ 256	$ 500	$ 532	$ 686	$ 796
Cdn. Wholesale	346	604	808	1,244	1,400
Total Sales	602	1,104	1,340	1,930	2,196
Dominion Stores(1)	220	544	713	1,572	1,854
Canada Safeway	174	401	638	1,094	1,300
Steinberg's (1)	102	326	596	1,063	1,250
Oshawa Group	23	125	335	616	747
M. Loeb	18	200	400	478	562
Provigo	15	120	209	360	478
A&P	N/A	218	252	349	359
Other Chains & Indep.	2,286	2,564	3,166	3,926	4,465
TOTAL MARKET	3,440	5,602	7,649	11,388	13,211
Market Share					
Weston/Loblaw	17.5%	19.7%	17.5%	17.0%	16.6%
Dominion Stores	6.4	9.7	9.3	13.8	14.0
Canada Safeway	5.1	7.2	8.3	9.6	9.8
Steinberg's	3.0	5.8	7.8	9.3	9.5
Oshawa Group	0.7	2.2	4.4	5.4	5.7
M. Loeb	0.5	3.6	5.2	4.2	4.2
Provigo	0.4	2.2	2.7	3.2	3.6
A&P	N/A	3.9	3.3	3.1	2.7
Other Chains & Indep.	66.4	45.7	41.5	34.4	33.9
TOTAL MARKET	100.0%	100.0%	100.0%	100.0%	100.0%

Note:

(1) The sales of Dominion Stores and Steinberg's for 1970 and 1974-1975 are adjusted to a calendar year basis to make the data more comparable with the results of other companies.

Source: Statistics Canada: Company Annual Reports.

Table 6

SUPERMARKET CHAINS IN CANADA

NUMBER OF CORPORATELY OWNED SUPERMARKETS

Name of Chain	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
LOBLAW/WESTON											
Western Canada	160	160	165	163	172	164	170	161	150	141	119
Ontario	261	264	271	268	254	252	235	199	180	181	180
Quebec	14	14	14	16	15	15	15	15	14	12	11
Atlantic	17	17	18	23	20	23	25	25	27	28	29
Total Stores	452	455	468	470	461	454	445	400	371	362	339
DOMINION STORES											
Western Canada	24	22	24	16	18	13	14	14	14	14	15
Ontario	205	211	220	218	226	237	230	235	237	232	227
Quebec	104	93	95	98	99	104	102	102	103	99	100
Atlantic	41	49	48	49	46	44	50	47	47	43	49
Total Stores	374	375	387	381	389	398	396	398	401	388	391
CANADA SAFEWAY											
Western Canada	225	236	241	243	245	246	249	245	245	248	248
Ontario	7	8	9	9	10	14	14	18	24	23	23
Total Stores	232	244	250	252	255	260	263	263	269	271	271
STEINBERG'S											
Ontario	47	50	59	56	56	54	59	57	63	71	72
Quebec	102	107	116	121	123	124	117	127	127	126	122
Total Stores	149	157	175	177	179	178	176	184	190	197	194
A & P (CANADA)											
Western Canada	8	8	6	6	6	6	6	-			
Ontario	136	140	154	156	161	162	162	156	146	140	112
Quebec	46	47	47	53	55	53	51	47	34	32	27
Total Stores	190	195	207	215	222	221	219	203	180	172	139
OSHAWA GROUP											
Food City/Bonimart	11	13	17	23	30	31	35	40	42	45	50
IGA & Other	69	78	77	75	70	51	37	40	32	40	40
Total Stores	80	91	94	98	100	82	72	80	74	85	90
SOBEYS STORES											
Atlantic	47	50	49	50	51	55	54	55	55	57	59
Quebec	-	-	2	3	3	4	4	5	5	5	6
Total Stores	47	50	51	53	54	59	58	60	60	62	65
PROVIGO GROUP	27	27	22	17	19	24	29	34	37	38	52
MARCHE UNION	10	11	13	14	17	19	20	22	24	34	16
OVERWAITEA (NEONEX)	48	49	49	50	50	51	52	52	46	48	48
OTHER STORES	57	60	52	44	30	35	35	37	40	31	35
TOTAL STORES	1,666	1,714	1,768	1,771	1,776	1,781	1,765	1,733	1,692	1,688	1,640

Source: Canadian Grocer; Company Annual Reports.

Canadian Supermarket Division

Table 6 sets out the number of supermarkets that were operated by the major chains each year from 1965 to 1975, according to Canadian Grocer magazine. The number of corporate stores operated by Weston/Loblaw declined from 452 in 1965 to 339 in 1975. As a percentage of the total, the number declined from 27.1% in 1965 to 20.7% in 1975.

The net decrease of 113 supermarkets in a decade explains a large part of the decline in Weston/Loblaw's market share since 1965. Other factors include the pricing policy in the stores prior to 1972, the secondary nature of the real estate locations and small size of many stores, the lack of expenditures on renovations, and weaknesses in key operating areas such as meat and produce and staff training. Most of these deficiencies have been corrected under the new management team headed up by Messrs. W. Galen Weston, Richard Currie and David Nichol.

The prices at Loblaw and Dominion Stores were relatively high prior to 1970. Steinberg's Limited was the acknowledged low price leader in Ontario and Quebec from 1968 to 1970. In November, 1970, Dominion Stores announced a new policy of "Deep Discount Prices" and indicated that Dominion would "not knowingly be undersold". Since 1970, Burns Fry has conducted regular surveys of grocery prices in Toronto, Montreal, Winnipeg and Vancouver. Our surveys indicate that Dominion and Steinberg's have consistently acted as co-low price leaders in Toronto and Montreal. Ontario is the most competitive province, because there are six major food chains in the market. See Table 7 on page 42.

In 1970, Loblaw's sales per sq. ft. were only $105, considerably lower than the figures of $160 at Food City, $124 at Dominion and $122 at Steinberg's. Following its conversion to discount prices in 1970, Dominion Stores obtained a significant increase in its sales per sq. ft and its share of the total food market. See Chart 3 and Table 5*. Loblaw was slow to react to this competitive challenge in 1971. Its market share declined and the Canadian Supermarket Division incurred a significant loss in 1971. However, since 1972, Loblaw has made an amazing recovery in Ontario, due to the strenuous efforts of the new management team which are described in Section V.

Loblaw's marketing strategy is highlighted by the slogan "More Than the Price is Right". This means that the corporate objective is to have competitive prices, high quality meat and produce, attractive stores, more staff per customer, a strong private label programme stressing quality, and specialized departments such as in-store bakeries and "Ziggy's" delicatessens. In the opinion of the writer, this is a viable marketing strategy.

However, in the opinion of the writer, Dominion Stores is in a profoundly strong competitive position in Ontario due to its competitive prices, high sales per sq. ft., good locations, and strong rating on non-price variables such as meat quality, freshness of produce and customer service. Also, the writer understands that Dominion's volume rebates are the highest in the industry, in relation to sales. This likely reflects astute management on the buying side and the fact that Dominion's sales are higher than any other single company in Canada.

* Chart 3, page 41; Table 5, page 35

ESTIMATED MARKET SHARES

Share of Major Shopping Trips by Selected Supermarket Chains

Toronto	1966	1971	1974	1975	1976
Dominion	30%	40%	41%	43%	43%
Loblaw(1)	31	25	25	24	23
Miracle Mart	5	11	11	12	14
Food City	4	5	6	5	5
A & P	12	6	5	4	3
Safeway	-	1	2	3	3
IGA	8	5	4	3	2
Other Chains	10	7	6	6	7
Total Chains	100%	100%	100%	100%	100%
Ottawa					
Steinberg's	20%	30%	27%	28%	29%
Loblaw(2)	11	15	27	26	26
Dominion	8	13	19	22	22
IGA	43	28	18	15	15
Other Chains	18	14	9	9	8
Total Chains	100%	100%	100%	100%	100%
Montreal					
Steinberg's	35%	37%	38%	39%	40%
Dominion	12	18	19	20	21
Metro	12	10	10	9	9
Dionne	3	3	2	2	2
IGA	6	6	6	6	4
A & P	5	3	2	2	2
Other Chain	27	23	23	22	21
Total Chains	100%	100%	100%	100%	100%
Vancouver					
Safeway	44%	45%	42%	40%	39%
Super Valu	17	17	23	20	22
Woodward's	13	12	12	15	13
IGA	9	8	7	7	8
Other Chains	17	17	16	18	18
Total Chains	100%	100%	100%	100%	100%

Notes:

(1) Loblaw closed approximately 60 stores in Toronto between 1971 and 1975.

(2) Loblaw purchased four stores in Ottawa from M. Loeb in November, 1973.

Source: Estimates by Burns Fry Limited

The critical factors that determine the success or failure of a supermarket chain, in order of importance, are as follows:

(1) low price leadership
(2) location and parking facilities
(3) average store size
(4) meat quality
(5) produce quality
(6) customer service

The supermarket chain with the highest rating on items (1) through (6) will achieve the highest sales per square foot, highest sales per store and the highest return on sales and invested capital.

The most important trend in the retail food business at the present time is the emphasis on opening "superstores" which range from 35,000 to 50,000 sq. ft., and generate annual sales of $8.0 to $15.0 million. In the opinion of the writer, the retail food business in Canada is still in the early stages of the transformation to "superstores". During the next five years, the industry will open a large number of "superstores". And, for every supermarket store that opens, it will be necessary to close two or three "traditional stores", which range from 8,000 sq. ft. to 25,000 sq. ft. The companies which are slowest to react to this trend will continue to lose market share, and the weakest of these companies will be forced to sell out or merge with the stronger companies.

The Table below contains our estimates for the average store size, sales per square foot and sales per store for the ten largest supermarket chains in Canada. The data suggest that the Weston subsidiaries (Loblaw and Super Valu) will have to maintain and accelerate their emphasis on "superstores" during the next few years to remain competitive with Dominion, Steinberg's, Safeway, Woodward's and Provigo.

Chain	(sq. ft) Average Store Size	Sales Per Sq. Ft.	Sales Per Store
Woodward's	43,400	$288	$12,500,000
Steinberg's	29,000	235	6,800,000
Dominion	18,200	284	5,200,000
Food City	24,300	205	5,000,000
Safeway	22,100	212	4,700,000
LOBLAW	22,100	203	4,500,000
SUPER VALU(1)	22,000	200	4,400,000
Provigo	15,200	238	3,600,000
A & P	18,500	180	3,300,000
Overwaitea	15,300	183	2,000,000

Note:
(1) Corporate Stores Division of Kelly, Douglas.

Chart 2

SUPERMARKET CHAINS IN BRITISH COLUMBIA

ESTIMATED SALES PER SQ. FOOT
Based on Gross Leasable Area

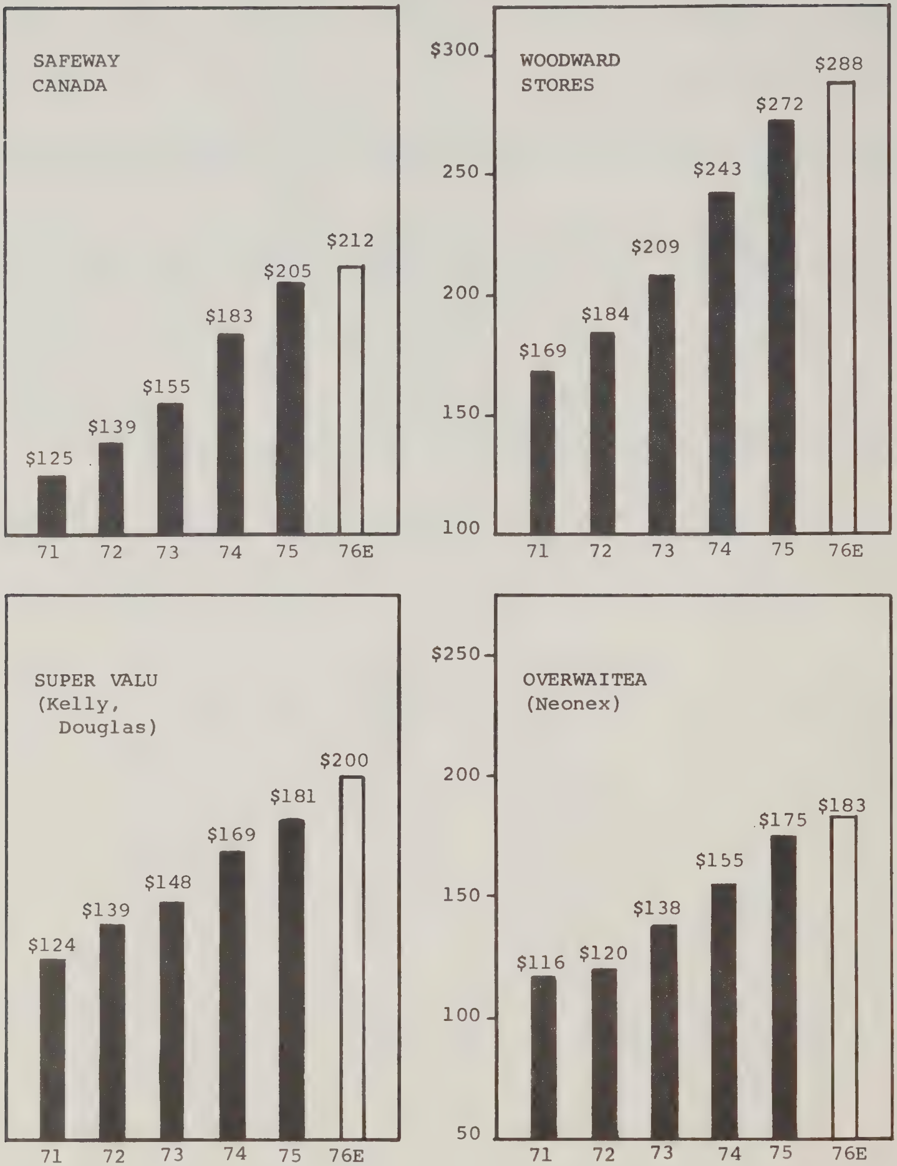


Chart 3

SUPERMARKET CHAINS IN ONTARIO

ESTIMATED SALES PER SQ. FOOT
Based on Gross Leasable Area

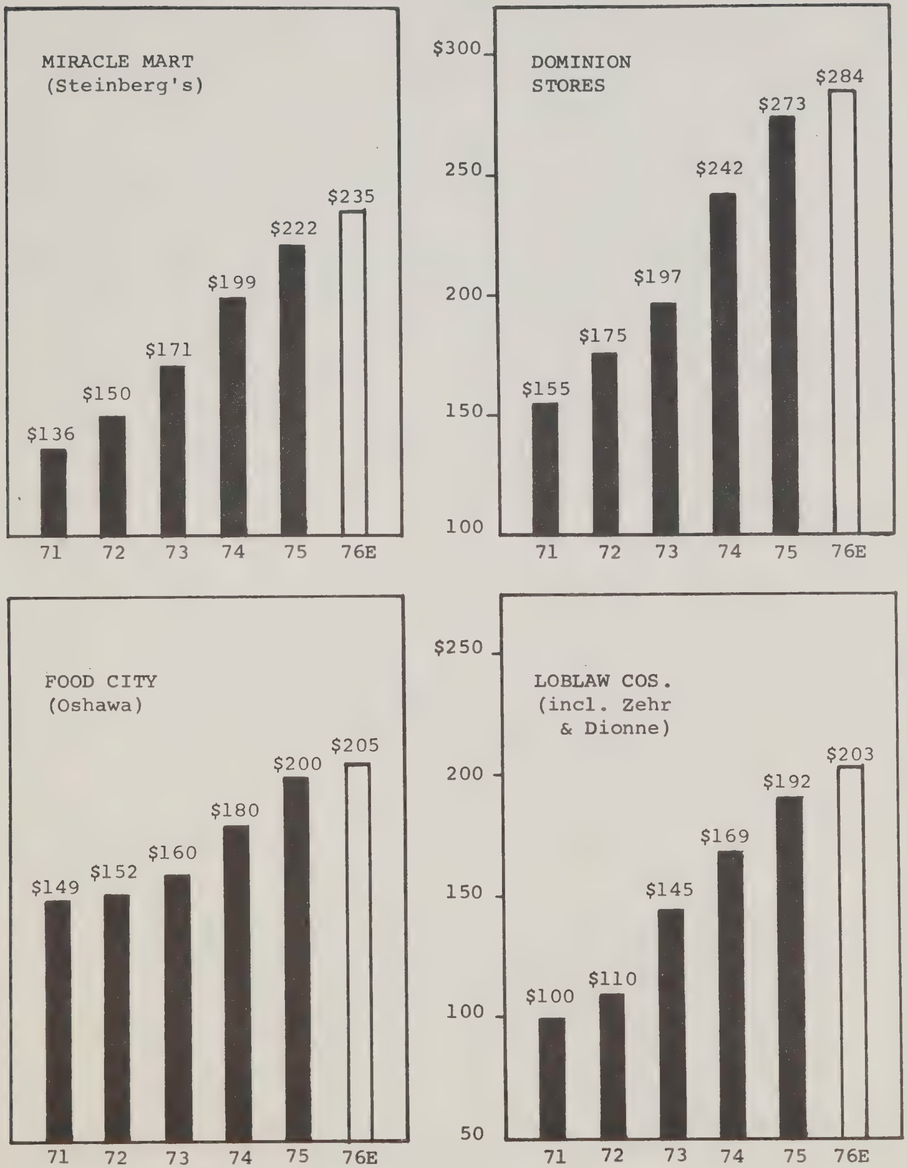


Table 7

BURNS FRY GROCERY BASKET[1]

METRO TORONTO

December 31, 1976

Category	No. of Items	Miracle Mart	Food City	Dominion	Loblaw	A & P	Safeway	Knob Hill Farms
Meat	10	$30.74	$31.66	$31.48	$31.24	$32.63	$34.05	$31.12
Produce	8	15.24	13.74	15.27	15.60	14.44	15.18	11.00
Bread & Rolls	3	8.38	8.38	8.38	8.32	8.67	8.38	8.38
Milk (2% 3 qt.)	1	5.95	5.95	5.95	5.95	5.95	5.95	5.95
Eggs (4 doz. large)	1	3.16	3.72	3.68	3.68	3.68	3.72	3.16
Sugar (10 lb.)	1	1.55	1.55	1.55	1.55	1.74	1.57	1.57
Ice Cream (½ gal.)	1	1.00	1.78	1.67	1.78	1.12	1.57	1.35
Groceries	79	73.89	75.32	74.76	75.17	76.55	74.77	72.25
General Mdse. (2)	16	24.40	24.46	24.30	24.42	24.61	24.26	24.00
TOTAL BASKET	120	$164.31	$166.56	$167.04	$167.71	$169.39	$169.45	$158.78
% Increase Versus Low-Price Chain								
Total Basket	120		+ 1.4%	+ 1.7%	+ 2.1%	+ 3.1%	+ 3.1%	- 3.4%
Groceries	79		+ 1.9%	+ 1.2%	+ 1.7%	+ 3.6%	+ 1.2%	- 2.2%
Historical Comparison								
Oct. 14, 1970		$95.74	$98.25	$104.77	$103.38	$105.96	N/A	N/A
Dec. 31, 1970		92.08	93.39	92.02	96.56	101.56		
Dec. 31, 1971		102.34	106.11	102.36	105.61	109.33		
Dec. 31, 1972		113.52	115.74	113.36	114.32	115.42		
Dec. 31, 1973		125.07	126.32	125.05	127.34	128.30		
Dec. 31, 1974		153.49	153.73	152.13	154.20	157.45	154.80	
Dec- 31, 1975		168.30	N/A	168.71	168.80	N/A	N/A	N/A
% Change Since								
Dec. 31, 1975		- 2.4%	N/A	- 1.0%	- 0.6%	N/A	N/A	N/A

Notes:

(1) The BFL Grocery Basket is weighted according to the pattern of sales of the supermarket industry in North America. There could be an error factor of 1% in the basket price for a particular chain due to the difficulty of comparing produce and because of weekly specials.

(2) General Mdse. includes paper products, detergents, health & beauty aids and tobacco.

GROCERY PRICES IN TORONTO

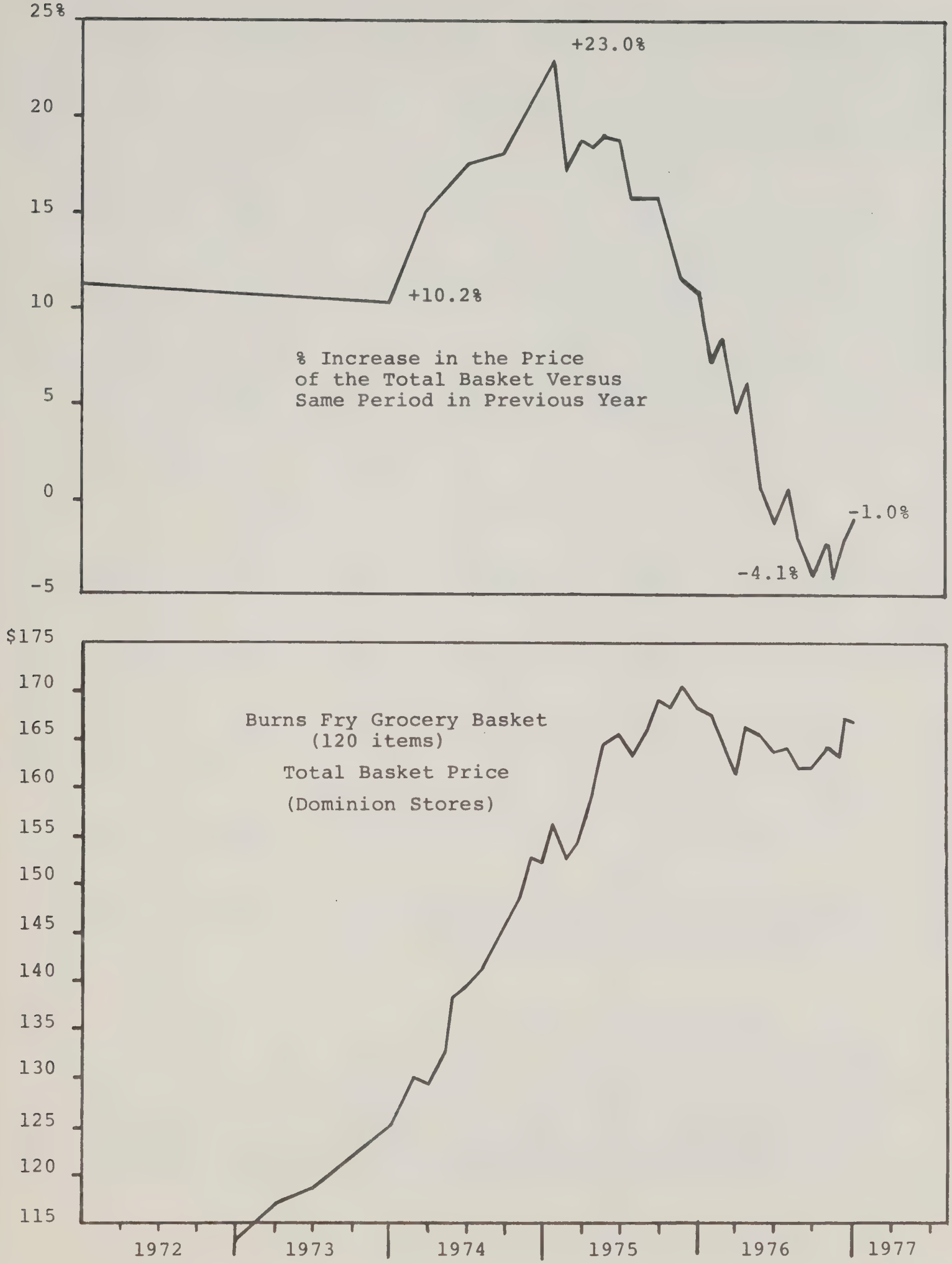


Table 8

VOLUNTARY GROUPS IN CANADA AFFILIATED WITH PUBLICLY-OWNED FOOD WHOLESALERS

NUMBER OF STORES

Wholesaler/Chains	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
LOBLAW/WESTON											
Associated Stores	232	231	236	263	263	259	261	251	252	252	239
Carload/Superior	37	37	35	34	25	25	25	25	-	-	-
Lucky Dollar	564	544	512	503	485	468	466	467	455	438	415
Maple Leaf	799	799	780	797	801	797	797	801	764	771	582
O. K. Economy	-	-	-	-	-	3	4	4	3	3	7
Red & White	793	806	795	746	724	713	666	648	624	617	497
Save-Easy	29	32	35	36	40	39	38	37	42	38	37
Shop-Easy	19	17	15	15	14	13	13	12	12	19	28
Shop-Rite	100	100	105	100	100	100	100	100	100	100	101
Super Save	29	27	28	29	27	28	30	31	31	34	43
Super Valu	50	52	48	45	37	39	34	34	36	36	46
Tom Boy	70	76	77	99	98	94	96	84	83	83	74
United Purity	106	104	104	91	79	79	79	66	66	66	33
Total Stores	2,828	2,825	2,770	2,758	2,693	2,657	2,609	2,560	2,468	2,457	2,102
OSHAWA GROUP											
ICA	381	402	398	397	410	434	422	422	411	389	373
Much More	163	187	225	234	278	284	229	210	250	253	282
Clover Farm	68	70	69	67	-	-	-	-	-	-	-
Handy Market	-	-	-	-	-	-	32	29	26	26	32
National	-	-	-	-	-	-	17	26	27	21	16
Ranch	-	-	-	-	-	-	6	6	8	8	13
Locomart	-	-	-	-	-	-	7	7	7	7	7
Deaudelin Group	92	106	116	171	231	244	237	217	190	228	166
Total Stores	704	765	808	869	919	962	950	917	919	932	889
M. LOEB GROUP											
IGA	391	391	371	375	365	351	354	352	334	330	328
Much More	367	400	395	420	434	446	449	386	374	355	324
Mayfair/Triple S	-	-	-	-	-	17	19	34	39	41	46
Pinto/Rooster	-	-	-	-	-	-	-	3	8	40	66
Total Stores	758	791	766	795	799	814	822	775	755	766	764
PROVIGO GROUP											
Provibec	-	-	-	-	-	-	-	(	(762	456	450
Provipop	-	-	-	-	-	-	-	(804	(	268	250
Provigain	-	-	-	-	-	-	-	(	87	96	100
Other Group	1,091	1,042	1,036	1,028	1,016	1,100	1,234	536	556	555	550
Total Stores	1,091	1,042	1,036	1,028	1,016	1,100	1,234	1,340	1,405	1,375	1,350
SOBEYS/LUMSDEN											
Clover Farm	21	22	24	25	21	20	20	16	26	23	20
Best Valu	23	22	24	39	49	52	52	62	99	117	160
Foodland	-	-	-	1	1	4	6	6	9	8	11
Total Stores	44	44	48	65	71	76	78	84	134	148	191
TOTAL STORES	5,425	5,467	5,428	5,515	5,498	5,609	5,693	5,676	5,681	5,678	5,296

Source: Canadian Grocer; Company Annual Reports

Canadian Wholesale Division

Table 8 sets out the number of "voluntary" group food stores affiliated with Weston/Loblaw wholesale subsidiaries from 1965 to 1975, according to Canadian Grocer. Comparable data are included for the other publicly owned food wholesalers in Canada. The number of stores affiliated with Weston/Loblaw has declined from 2,828 in 1965 to 2,102 in 1975. This reflects the overall loss of market share by independent grocers since 1965. However, Weston/Loblaw's share of the voluntary group business, in terms of stores, has also declined from 52.1% in 1965 to 39.7% in 1975.

In the table below, we estimate that sales in the Wholesale Division of Weston-Loblaw increased from $604 million in 1965 to $1,400 million in 1975. It should be noted that several subsidiaries in Weston's Wholesale Division also operate retail stores, such as Super Valu in B.C., Econo-Mart in Manitoba and Save-Easy in the Atlantic Provinces. We estimate that wholesale accounts for $1,000 million (71%) of total sales and retail accounts for $400 million (29%). On an aggregate basis (wholesale plus retail) we estimate that the Division supplied 10.8% of the Canadian food market in 1965. This ratio would have declined to 9.8% in 1975. However, due to the acquisition of OK Economy Stores and Loblaw West (in 1973), the Division's market share was 10.6% in 1975.

WESTON/LOBLAW WHOLESALE DIVISION

Sales (mil.)	1965	1970	1974	1975
Kelly, Douglas	$154	$228	$ 486	$ 814
Westfair Foods	191	252	307	71
National Grocers	177	217	313	351
Atlantic Wholesalers	60	83	138	164
York Trading	22	28	-	-
Total Division	$604	$808	$1,244	$1,400
Profit Contribution to Weston-Loblaw (1)	$ 4.2	$ 6.3	$ 9.8	$ 11.4

(1) after deducting minority interest.

Weston/Loblaw's equity in the net earnings of the wholesale subsidiaries increased from $4.2 million in 1965 to an estimated $11.4 million in 1975. This reflects sales growth and an increase in the Group's ownership of Kelly, Douglas (from 40% to 81%) and in Atlantic Wholesalers (from 70% to 87%).

The strongest competition for Weston/Loblaw's Wholesale Division comes from the supermarket chains, who have significantly increased their aggregate market share since 1965. This group includes Dominion Stores, Canada Safeway, Steinberg's and Food City. Another major group of independents in Canada is affiliated under the "IGA" and "Much More" tradenames. According to Canadian Grocer, aggregate retail sales of IGA and Much More increased from $487 million in 1965 to $777 million in 1974 and are projected at $865 million in 1975. There are 1,400 stores.

Table 9

FOOD RETAIL AND WHOLESALE COMPANIES IN CANADA

Company		Sales (mil.) 1965	Sales (mil.) 1970	Sales (mil.) 1974	Sales (mil.) 1975	Net Profit (mil.) 1965	Net Profit (mil.) 1970	Net Profit (mil.) 1974	Net Profit (mil.) 1975	Return(7) On Sales 1974	Return(7) On Sales 1975	Return(8) On Equity 1974	Return(8) On Equity 1975
LOBLAW/WESTON GROUP													
Kelly, Douglas & Co.		$ 154	$ 228	$ 486	$ 814	$ 1.8	$ 1.7	$ 3.4	$ 8.4	0.71%	1.03%	9.8%	11.3%
Westfair Foods Limited		191	252	307	72	2.1	3.0	4.1	0.7	1.34	0.98	10.2	6.7
National Grocers Co.		177	217	313	350	1.3	1.8E	2.7E	3.0E	0.86	0.86	9.2	10.1
Atlantic Wholesalers		59	82	138	164	0.6	1.0	1.6	1.7	1.13	1.05	13.6	13.2
York Trading Limited		22	27	-	-	0.1	0.2	-	-	-	-	-	-
Cdn. Wholesale Division		603	816	1,244	1,400	5.9	7.7E	11.8E	13.8E	0.95	0.99	10.1	10.6
Cdn. Retail Division		500	521	686	796	4.6	1.2E	7.1E	9.2E	1.03E	1.16E	11.5E	13.1E
Cdn. Food Subsidiaries		1,103	1,337	1,930	2,196	10.5	8.9E	18.9E	23.0E	0.98E	1.05E	10.9E	11.9E
Canada Safeway	(1)	401	763	1,548	1,878	10.3	14.8	29.1	34.1	1.88	1.82	14.2	14.4
Dominion Stores	(2)	514	713	1,599	1,854	10.7	4.7	16.4	20.1	1.03	1.08	16.4	17.9
Steinberg's Limited	(3)	401	736	1,288	1,497	7.4	9.0	13.5	16.8	1.04	1.11	9.7	11.4
M. Loeb Limited	(4)	200	434	898	1,048	1.8	0.8	4.7	4.3	0.52	0.41	15.6	12.0
The Oshawa Group	(4)	138	470	867	1,024	2.1	4.9	7.2	7.2	0.76	0.70	9.6	9.2
Provigo Inc.	(4)	120	209	360	478	0.8	1.7	4.3	5.6	1.20	1.17	20.3	22.2
Atlantic & Pacific (Can)	(5)	218	252	349	359	2.5E	3.8	4.6	3.1	1.31	0.88	7.7	4.9
Sobeys Stores Limited	(6)	59	93	181	209	0.5	0.5	0.9	0.8	0.42	0.35	8.2	7.0
GRAND TOTAL		3,154	5,007	9,020	10,543	46.6	49.1	99.6	115.0	1.10%	1.09%	12.3%	12.8%

NOTES:

(1) The data for Canada Safeway includes the Overseas Division, where sales were $577 million in 1975.
(2) The data for Dominion Stores is restated to a calendar year basis for the period 1970 and 1973-1974.
(3) The data for Steinberg's for 1970 and 1973-1974 is restated to a calendar year, ending on January 31st of following year.
(4) Fiscal year ends on January 31st of the following year.
(5) Fiscal year ends on February 28th of the following year.
(6) Fiscal year ends on April 30th of the following year.
(7) "Return on Sales" is profit before minority interest as a percentage of sales.
(8) "Return on Equity" is profit after tax as a percentage of average equity capital during the year.

Table 10

SUPERMARKET COMPANIES IN THE U.S.A.

Company	Sales (mil.) 1965	Sales (mil.) 1970	Sales (mil.) 1974	Sales (mil.) 1975	Net Profit (mil.) 1965	Net Profit (mil.) 1970	Net Profit (mil.) 1974	Net Profit (mil.) 1975	Return On Sales 1974	Return On Sales 1975	Return On Equity 1974	Return On Equity 1975
Safeway Stores	$2,939	$4,860	$8,185	$9,717	$48.2	$68.9	$79.2 (1)	$148.6	0.97%	1.53%	11.7%	20.0%
Atlantic & Pacific Tea	5,119	5,664	6,875	6,538	52.3	50.1	43.0 (2)	4.3	0.62	0.07	6.8	1.0
The Kroger Company	2,555	3,736	4,803	5,339	31.3	43.6	45.2	34.4	0.94	0.65	11.1	8.1
American Stores	1,207	1,799	2,735	3,207	10.6	14.9	19.3	32.0	0.71	1.00	9.3	14.1
Lucky Stores	441	1,596	2,702	3,109	8.1	28.7	41.4	47.9	1.53	1.54	17.4	20.0
Winn-Dixie Stores	915	1,419	2,528	2,962	22.8	27.6	51.5	55.6	2.04	1.88	21.6	20.5
Jewel Companies	933	1,634	2,599	2,818	16.2	24.0	30.2	28.7	1.16	1.02	11.0	9.8
Food Fair Stores	1,120	1,762	2,370	2,483	9.4	10.8	8.9	(3.4)	0.38	(0.14)	6.5	(2.5)
NATIONAL TEA CO.	1,162	1,238	1,404	1,472	11.3	8.1	(2.6)	(6.0)	(0.19)	(0.40)	(3.5)	(7.5)
LOBLAW INC.	250	304	372	400	1.9	0.8	0.2	(3.5) (3)	0.07	(0.88)	0.8	(12.5)
COMBINED	1,412	1,542	1,776	1,872	13.2	8.9	(2.4)	(9.5)	(0.13)	(0.51)	(2.2)	(8.8)
Grand Union Company	780	1,201	1,563	1,611	10.9	15.7	9.5	11.7	0.61	0.73	6.2	7.4
Supermarkets General	351	825	1,499	1,550	3.7	8.1	2.7	7.8	0.18	0.50	3.8	10.4
Fisher Foods	175	402	1,124	1,380	0.4	5.3	12.6	12.4	1.12	0.90	20.5	17.4
Stop & Shop Companies	470	790	1,224	1,360	3.5	5.6	10.1	14.5	0.83	1.07	13.1	16.6
Albertsons, Inc.	272	488	1,046	1,271	4.9	5.3	11.7	15.8	1.18	1.24	20.8	21.3
Dillon Companies	123	265	874	1,065	2.1	4.9	15.3	20.7	1.75	1.95	23.0	25.9
GRAND TOTAL	$18,812	$27,983	$41,903	$46,282	$237.6	$322.4	$378.2	$421.5	0.90%	0.91%	11.3%	12.4%

NOTES:
(1) In 1974, Safeway adopted the LIFO method of accounting. This accounting change reduced net profit in 1974 by $42.3 million.
(2) At the end of fiscal 1974, A & P established a reserve of $200 million to provide for the closure of 1,200 stores in 1975. After allowing for this extraordinary item, A & P reported a loss of $157.1 million for fiscal 1974.
(3) A portion of the losses of National Tea and Loblaw Inc. during 1973-1975 reflect management's decision to close over 300 low volume supermarkets during this period.

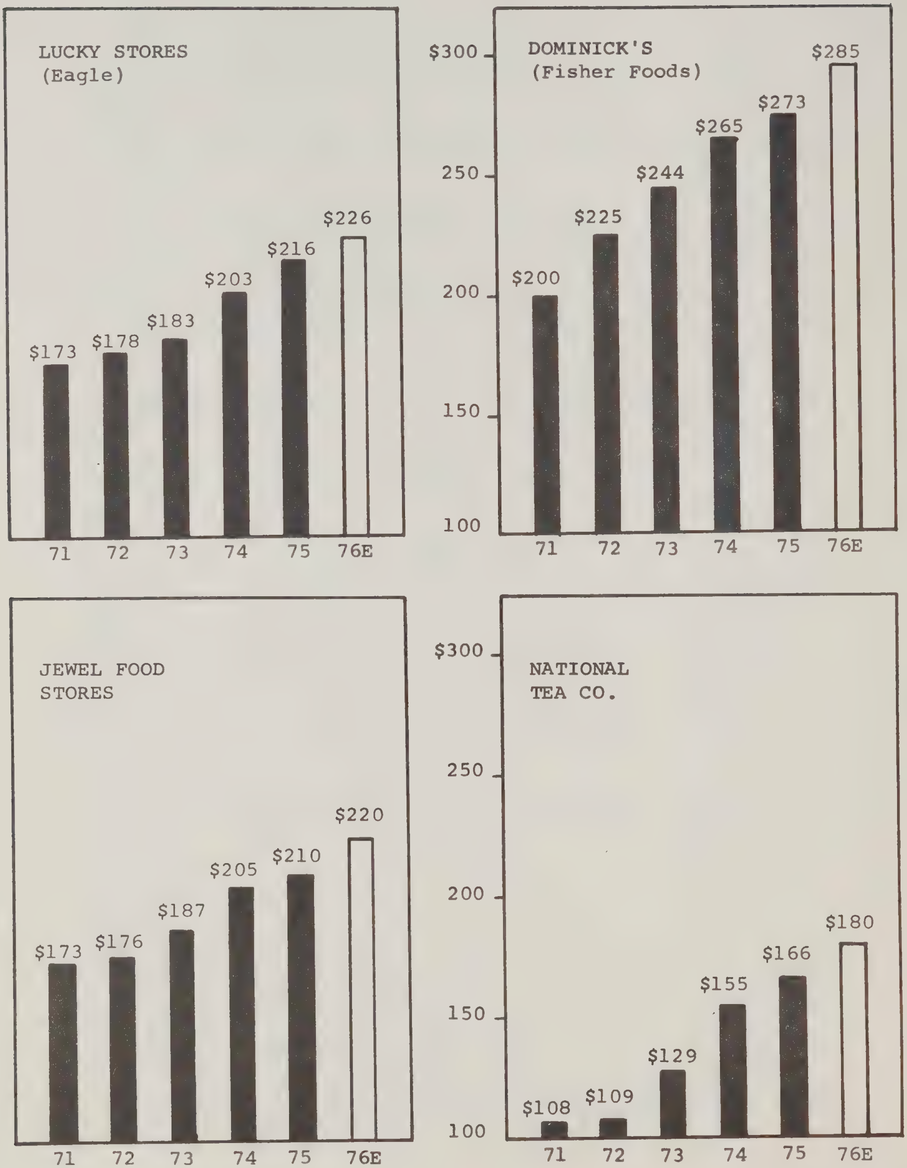
Source: Annual Reports of the various companies.

Chart 4

SUPERMARKET CHAINS IN CHICAGO

ESTIMATED SALES PER SQ. FOOT

Based on Gross Leasable Area



U.S. Supermarket Division

Tables 9 and 10 contain some historical data from 1965-1975 on the leading supermarket chains in Canada and the U.S., which compare sales, profits and profit ratios. The average figures for the industry in each country during 1974 and 1975 are compared below:

Return on Sales	1974	1975
Canada	1.10%	1.09%
U.S.	0.90%	0.91%
Return on Equity		
Canada	12.3%	12.8%
U.S.	11.3%	12.4%

The profits of the best-managed food chains in the U.S. are in the range of 1.25% to 2.00% of sales. Return on equity for these companies is in the range of 20% to 25%. The successful companies generally operate large stores which feature competitive prices and high sales per square foot.

Chart 4 compares the sales per square foot of National Tea in Chicago from 1971 to 1976 with its three principal competitors - Jewel, Eagle (Lucky Stores) and Dominick's (Fisher Foods). The Table below contains some additional data concerning the average store size, sales and market share of each company:

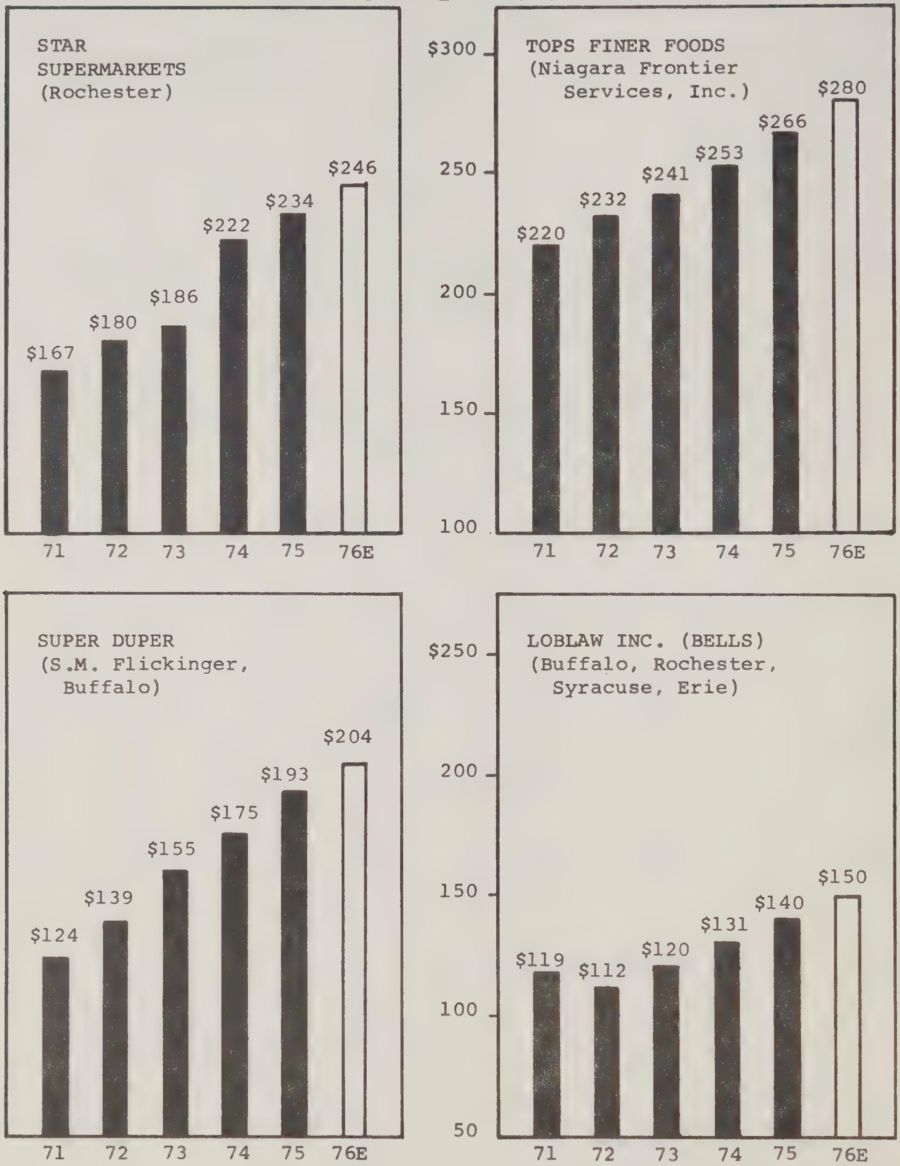
CHICAGO FOOD MARKET

Chain	No. of Stores	(sq. ft.) Ave. Store Size	(1976) Sales Per Sq. Ft.	(000) Sales Per Store	(mil.) Sales	Market Share
Jewel	236	27,275	$ 220	$6,000	$1,420	33.0%
Dominick's	64	29,500	290	8,550	550	12.8
National	150	19,025	180	3,450	515	12.0
A & P	80	18,900	185	3,500	280	6.7
Eagle	32	25,600	226	5,780	185	4.3
Other Stores	N/A				1,350	31.2
TOTAL	562+	24,000	218	5,250	$4,300	100.0%

Source: Estimate by Burns Fry Limited

Chart 5
SUPERMARKET CHAINS IN UPSTATE NEW YORK

ESTIMATED SALES PER SQ. FOOT
Based on Gross Leasable Area



The above Table makes it clear that National Tea was in a fundamentally weak competitive position in Chicago. Its stores were too small, and its sales per square foot were too low. National's prices in Chicago were about the same as those at Jewel and Dominick's. However, owing to its low sales productivity, National reported consolidated losses of $23.2 million from 1973 to 1975, and these losses continued in 1976. In October, 1976, National Tea announced its decision to completely close down its Chicago Division. A & P purchased 63 stores for $22.0 million. The remaining 97 stores were sold to independents, at prices substantially below book value. National expects to report an extraordinary writeoff of about $30.0 million for the fourth quarter of 1976, in connection with the closure program in Chicago. It is expected that the remaining divisions of National Tea will generate a pre-tax profit of about $10.0 million in 1977.

Chart 5 compares the sales per square foot of Loblaw Inc. in upstate New York from 1971 to 1976 with three of its principal competitors - Tops (NFS), Super Duper (S.M. Flickinger) and Star Supermarkets. The Table below contains some additional data for the Buffalo market, concerning average store size, sales and market share of each company:

BUFFALO FOOD MARKET

Chain	No. of Stores	(sq. ft.) Ave. Store Size	(1976) Sales Per Sq. Ft.	Sales Per Store	(mil.) Sales	Market Share
Tops	36	27,500	$ 280	$ 7,700	$ 280	35.0%
Bells (Loblaw)	57	23,300	150	3,500	200	25.0
Super Duper	35	16,700	204	3,400	120	15.0
Twin Fair	10	22,800	176	4,000	40	5.0
Acme	10	20,900	172	3,600	36	4.5
Other Stores	N/A				124	15.5
TOTAL	148+	22,600	202	4,560	$ 800	100.0%

Source: Estimates by Burns Fry Limited

It appears to the writer that the competitive position of the Loblaw subsidiary in Buffalo (Bells) is also very weak, owing to the low level of sales per square foot and sales per store. During 1977, we expect that the management of Loblaw will take steps to improve this situation, most likely by the closure of low volume stores and the sale of some stores to independents. Loblaw has a wholesale subsidiary in Buffalo, Peter J. Schmitt Co., Inc., which could benefit from this move.

Table 11

FOOD PROCESSING COMPANIES IN CANADA

Comparison of Sales and Earnings

	George Weston Limited ---------- Food Processing ---------									
(mil.) Sales	Bakery	Biscuit	Chocolate & Dairy	(1) Total	General Foods Limited	Christie, Brown & Company	General Bakeries Limited	Corporate Foods Limited	Dare Food (Biscuits)	Associated Biscuits of Canada Ltd.
1971	$67.6	$105.7	$52.6	$225.9	$181.8	$74.0	$37.7	$30.7	$ 7.4	
1972	81.4	111.4	66.1	258.9	192.6	82.6	39.7	29.7	5.1	$20.0E
1973	98.3	121.5	72.2	292.8	212.8	94.5	43.1	30.8	7.2	24.0E
1974	131.9	142.2	89.5	363.6	259.4	108.6	52.6	45.7	11.6	
1975	147.5	149.5	106.0	403.1	316.9	132.3	59.3	50.6	13.4	
(000) Net Profit										
1971				4,000	7,929	2,437	77	(585)	212	
1972				5,900	9,235	4,309	148	(92)	160	567
1973				6,000	10,329	4,763	453	101	227(2)	1,002
1974				4,500	10,801	3,587(2)	797	289	574	
1975				9,200	11,441	7,602	1,416	1,159	603	
Profit as a % of Sales										
1971				1.95%	4.36%	3.29%	0.20%	(1.90)%	2.86%	
1972				2.27	4.80	5.21	0.37	(0.31)	3.17	2.84
1973				2.05	4.85	5.04	1.05	0.33	3.17(2)	4.18
1974				1.24	4.16	3.30(2)	1.52	0.63	4.95	
1975				2.28	3.61	5.75	2.39	2.29	4.51	
Profit as a % of Equity										
1971				N/A	13.9%	10.6%	1.6%	(11.1)%	8.0%	
1972					14.7	18.4	3.0	(1.8)	5.7	15.8
1973					15.1	19.2	8.9	1.9	8.1(2)	23.8
1974					14.4	13.2(2)	14.3	5.2	18.6	
1975					13.9	24.8	21.4	18.8	16.9	

Notes:
(1) This presentation for Weston's Food Processing Division excludes the contribution from Bowes Company, which is an importer of specialty baking products, and Westcane Sugar which lost $7.6 million after taxes in 1974 during a start-up year. The calculation of net profit for each year from 1971-1975 is based on published data by Weston's.
(2) Christie, Brown suffered from a lengthy strike during 1974. Dare Foods suffered from a lengthy strike during 1972-1973.

Food Processing in Canada

Sales of Weston's Food Processing Division were $536 million in 1975, and net profit was $11.2 million (2.09% of sales). A rough estimate of Weston's market share in the bakery and biscuit industries is set out below, based on latest government statistics.

	1971	1972	1973	1974	1975
Weston's Sales (mil)					
Bakery Division	$ 68	$ 81	$ 98	$132	$148
Biscuit Division (1)	106	112	122	142	149
Chocolate & Dairy	52	66	72	90	106
Total	226	259	292	364	403
Canadian Sales					
Bakeries	$510	N.A.	N.A.	N.A.	N.A.
Biscuit Mfrs.	138	168	N.A.	N.A.	N.A.
Confectionery Mfrs.	124	N.A.	N.A.	N.A.	N.A.
Total	772				
Competitors					
Christie Brown	75E	83	95	109	132
General Bakeries	38	40	43	53	59
Corporate Foods	31	30	31	46	51
Dare Biscuits	5E	5	7	12	13
	149E	158	176	220	255

(1) Approximately 50% of the sales in the Biscuit Division are in the U.S.

George Weston, in its own submission to the Bryce Commission*, indicated that 25% of the sales in the Food Processing Division were made to subsidiaries in the retailing and wholesaling divisions.

George Weston indicated that the approximate market share of its subsidiaries in the Food Processing Division was as follows:

Produce	Approximate Market Share
Confectionery Candy	32%
Chocolate Candy Bars	30%
Biscuits	16-35%
Bread & Rolls	15%
Sugar	10%

The profit of Weston's Food Processing Division compares favourably with the results of publicly owned Canadian companies such as General Bakeries (controlled by Dominion Stores) and Corporate Foods (controlled by Maple Leaf Mills). Overall, however, the profit ratio of Weston's Food Processing Division is well below the levels of Canadian subsidiaries of U.S. companies, such as Christie Brown (owned by Nabisco), General Foods, Standard Brands and Kellogg Salada. See Table 11 for additional details.

* The Royal Commission on Corporate Concentration

Table 12

GEORGE WESTON LIMITED

BISCUIT AND BAKERY DIVISIONS

Availability of Weston Food Products
at Competing Supermarkets in Toronto

February 6, 1976

Description	(oz.) Weight	Loblaw	Dominion	Miracle Mart	Food City	Safeway	A & P
BISCUIT DIVISION							
Weston Brand							
Wagon Wheels	12.0	$0.99	-	$0.99	$0.99	$0.99	-
Square Boys	12.0	0.99	-	0.99	1.09	0.99	-
Round Up	14.0	0.99	-	0.99	0.89	-	-
Cloud 9	14.0	0.99	-	0.99	0.99	-	-
Chipperifics	14.0	0.99	-	0.99	0.99	-	-
Ginger Boys	12.0	0.99	-	0.99	-	-	-
Honey Graham Wafers	8.0	0.54	-	-	0.55	-	-
Soda Crackers	16.0	0.79	-	-	0.79	-	-
Stoned Wheat Thins	10.0	0.69	$0.64	0.69	0.61	0.64	$0.73
Ryvita	7.5	0.55	0.53	0.55	0.61	0.53	-
McCormick Brand							
Soda Crackers	16.0	0.79	-	0.79	0.79	0.79	0.79
Saltine Crackers	16.0	0.79	-	0.79	0.79	-	0.79
Social Tea Cookies	14.0	0.89	-	0.89	0.89	-	0.89
Tea Assortment	12.0	0.93	-	-	0.93	-	0.95
Choc. Chip Cookies	24.0	1.59	-	1.59	1.59	-	1.59
Snackers	8.0	0.63	-	0.63	0.65	-	0.67
Party Crackers	12.0	0.79	-	0.79	0.85	-	0.69
Honey Grahams	13.5	0.89	-	0.87	0.84	-	0.87
Fig Bars	16.0	0.99	-	-	0.99	-	0.99
Arrowroot	8.0	0.69	-	-	0.71	-	0.69
Kambly Brand							
Assorted Creams	12.0	0.83	-	-	-	-	-
Family Assorted	12.0	0.83	-	-	-	-	-
BAKERY DIVISION							
Weston Brand Bread							
Sandwich Loaf	24.0	0.51	-	-	-	-	-
Crusty Vienna Loaf	24.0	0.54	-	-	-	-	-
White Pony Wrap	24.0	0.51	-	-	-	-	-
Buttermilk Scone Loaf	24.0	0.51	-	-	-	-	-
English Muffins	(8)	0.69	-	-	-	-	-
Chelsea Buns	15.0	0.75	-	-	-	-	-
Hamburg/Hot Dog Rolls	(8)	0.53	-	-	-	-	-
Stuart Snack Cakes							
Apollo Cakes	8.0	0.83	-	-	-	-	-
Strawberry Fingers	7.5	0.79	-	-	-	-	-
Snack Cakes (various)	8.5	0.73	-	-	-	-	-

Sales of Manufactured Products to Competitive Retailers

One of the most fascinating questions about Weston's is the following: "To what extent are the sales of Weston's manufactured products to competitive retailers hampered by the fact that Weston's owns 87.1% of Loblaw Companies Limited?"

On February 6, 1976, the writer visited the six large supermarkets in Toronto to check the availability of Weston's manufactured products at each store. The results of the survey, based on a single visit to each store, are as follows:

(1) Dominion Stores carries no brands by Weston's, McCormicks, Neilson's, E.B. Eddy, Bowes, McLarens, Donlands or Stuart's, except for two rye crisp products. Dominion did carry a complete line of canned seafoods produced by B.C. Packers and Connors Bros. but no frozen seafood products. The product line of B.C. Packers was removed during 1976.

(2) Steinberg's carries a large assortment of Weston and McCormick biscuits, selected Neilson candy bars, and a complete line of seafood products by B.C. Packers and Connors.

(3) Canada Safeway carries only four lines of Weston's biscuits plus a complete line of seafood products by B.C. Packers and Connors Bros.

(4) Food City (owned by The Oshawa Group) carries a complete line of biscuits by Weston's and McCormick's, a complete line of seafood products by B.C. Packers and Connors Bros. plus selected lines of Neilson's chocolate bars.

(5) A & P carries a full line of McCormick biscuits, virtually no Weston biscuits, a partial line of seafood products by B.C. Packers and Connors Bros. and no Neilson brands.

(6) Loblaw carries a complete line of Weston manufactured brand name products. In addition, Loblaw carries private label bakery products manufactured by Weston's and several lines of Kambly biscuits. Loblaw is the only one of the six chains to carry Neilson's and Devon ice cream products, Donlands dairy products, and granulated sugar produced by Westcane Sugar Limited.

Eddy Paper Company in Ottawa was on strike; so there were no "White Swan" consumer products in the Toronto stores on February 6th. However, on previous visits in 1975, the writer noticed that "White Swan" paper products were carried extensively by Steinberg's, Food City and Loblaw. Dominion Stores does not carry any White Swan products and few if any lines are carried by Safeway and A & P.

As mentioned above, food sales in Canada were $13.2 billion in 1975. Combined sales of Dominion Stores and Safeway were $3.2 billion, equal to 23.8% of the total market. Our survey suggests that Weston's manufactured products have either no access or restricted access to the fastest growing competitive retail chains that account for 25% to 35% of total food sales in Canada.

Table 13

GEORGE WESTON LIMITED

CHOCOLATE & DAIRY, SPECIAL PRODUCTS DIVISIONS

Availability of Weston Food Products
at Competing Supermarkets in Toronto

February 6, 1976

Description	(oz.) Weight	Loblaw	Dominion	Miracle Mart	Food City	Safeway	A & P
CHOCOLATE & DAIRY							
Neilson Brand							
Venetian Vanilla	½ gal.	$2.09	-	-	-	-	-
Venetian Vanilla	1 pt.	0.63	-	-	-	-	-
Devon Spumoni	½ gal.	2.39	-	-	-	-	-
Jersey Milk Choc.Bar	3.05	0.45	-	$0.45	$0.45	-	-
Jersey Nut Bar	3.05	0.45	-	0.45	-	-	-
Burned Almond Bar	2.75	0.45	-	0.45	-	-	-
Royal Choc. Bar	3.05	0.45	-	-	0.43	-	-
Sweet Marie (4 pak)		-	-	-	0.69	-	-
Jersey Milk (4 pak)		-	-	0.59	0.73	-	-
Danish Bar (4 pak)		-	-	0.59	0.73	-	-
Sweet Marie (10 pak)		-	-	-	1.79	-	-
Donlands Brand							
Milk 2% 3 qt. jug		1.39	-	-	-	-	-
Milk 2% 3 qt. bag		1.49	-	-	-	-	-
Milk 2% 2 qt. ctn.		1.05	-	-	-	-	-
Milk 2% 1 qt. ctn.		0.53	-	-	-	-	-
Table Cream	1 pt.	0.85	-	-	-	-	-
Half & Half	1 pt.	0.71	-	-	-	-	-
SPECIAL PRODUCTS DIVISION							
Bowes Company, Limited							
McNair Peanuts (tin)	13.0	1.15	-	-	-	-	-
Neilson Peanuts (tin)	13.0	1.29	-	-	-	-	-
Neilson Cashews (tin)	13.0	2.39	-	-	-	-	-
McNair Raisins	32.0	1.79	-	-	1.60	-	-
McNair Coconuts	16.0	1.33	-	-	-	-	-
McNair Mar.Cherries	6.0	0.65	-	-	-	-	-
Westcane Sugar Refinery							
Granulated Sugar	10 lb.	2.62	-	-	-	-	-
Granulated Sugar	5 lb.	1.19	-	-	-	-	-
FOREST PRODUCTS DIVISION							
White Swan Brand(1)							
Facial Tissue							
Toilet Tissue (2 pak)							
Toilet Tissue (4 pak)							
Serviettes (60)							
Hand Towels							

Note:
(1) White Swan Products were out of stock in Toronto due to a strike at E. B. Eddy in Ottawa.

Table 14

GEORGE WESTON LIMITED

FISHERIES AND CANNERY DIVISIONS

Availability of Weston Food Products
at Competing Supermarkets in Toronto

February 6, 1976

Description	(oz.) Weight	Loblaw	Dominion	Miracle Mart	Food City	Safeway	A & P
FISHERIES DIVISION							
Clover Leaf Brand							
Sockeye Salmon	7.75	$1.35	$1.35	$1.35	$1.35	$1.35	$1.35
Coho Salmon	7.75	1.05	1.05	1.05	1.19	1.05	-
Solid White Tuna	7.00	0.87	0.87	0.87	0.87	0.87	0.89
Chunk Light Tuna	6.50	0.58	-	0.67	-	-	0.79
Flaked White Tuna	6.50	0.83	0.83	0.83	-	0.83	0.79
Pacific Oysters	5.00	0.65	-	0.65	-	-	-
Baby Clams	5.20	0.73	-	-	-	0.72	-
Salmon Spread	2.33	0.36	0.36	0.36	0.37	0.36	0.36
Paramount Brand							
Sockeye Salmon	7.75	1.35	1.35	-	1.35	-	1.35
Pink Salmon	7.75	0.99	0.99	-	0.98	-	-
Red Salmon	15.0	2.25	-	-	2.19	-	-
Rupert Brand							
Salmon Patties (6)	12.0	1.05	-	-	0.99	0.99	-
Fish Cakes (6)	12.0	0.65	-	-	0.62	-	0.65
Fish Sizzles (24)	24.0	1.54	-	-	1.69	-	-
Cod Fish & Chips	20.0	1.12	-	-	-	-	1.22
Cod Fillets (batter)	16.0	1.29	-	-	1.29	1.29	-
Perch Fillets (batter)	16.0	1.25	-	-	1.25	1.25	-
Haddock Fillets	16.0	2.09	-	-	-	2.09	-
Sole Fillets	16.0	2.38	-	-	2.37	2.38	-
Connors Bros. (sardines)							
Old Salt/Jutland	3.25	0.35	-	-	-	-	-
Brunswick	3.25	0.22	0.24	0.22	0.24	0.22	0.24½
Sea Food Snacks	3.25	0.33	0.33	0.33	0.33	0.33	-
CANNERY DIVISION							
Culverhouse/Cudney							
Black Sweet Cherries	14.0	0.59	-	0.57	-	-	-
Red Pitted Cherries	14.0	0.61	-	-	-	-	-
Peach/Pear Halves	19.0	0.55	-	-	0.53	-	-
Whole P.E.I. Potatoes	19.0	0.31	-	-	0.53	-	-
McLaren Foods							
Stuffed Olives	15.0	1.15	-	1.15	-	-	-
Sweet Mixed Pickles	32.0	1.07	-	1.07	-	-	-
Corn Relish	15.0	0.65	-	0.65	-	-	-
Sweet Relish	12.0	0.53	-	-	-	-	-

SECTION V
MANAGEMENT

CORPORATE STRATEGY

Comments Concerning the Policies of Senior Management	Period Covered
1. W. Garfield Weston	1918-1975
2. George C. Metcalf	1947-1975
3. Keith G. Dalglish	1967-1969
4. G. E. Creber	1969-1974
5. W. Galen Weston	1972-1975

MANAGEMENT

CORPORATE STRATEGY

W. Garfield Weston (1918-1975)

In 1918, following his return from World War I, Mr. W. Garfield Weston ("Mr. Weston") entered his father's biscuit business. The enterprise consisted of a biscuit factory at the corner of Peter and Richmond Streets in Toronto, which was built in 1910. Mr. Weston was appointed Vice-President of the family business in 1921 and Manager in 1922. In April, 1924, he was appointed President and General Manager, following the death of his father, Mr. George Weston. During the war years in England, Garfield Weston was impressed with the quality of biscuits in that country. He introduced Canadian made "English quality" biscuits to Canadian consumers in 1922. These biscuits achieved immediate popularity and helped to make "Weston's" a household name across Canada.

On January 27, 1928, George Weston Limited ("GWL") was incorporated as a public company, and acquired the family biscuit business from Mr. Weston. In 1931, GWL acquired the family bakery business from Mr. Weston.

Sales of GWL were about $3.0 million in 1928, and net profit was $167,597. Mr. Weston was an optimistic aggressive businessman in 1928, and he was determined to expand the business through acquisitions and by entering new markets. The first acquisition in Canada was William Paterson Limited, a biscuit and confectionery manufacturer in Brantford, Ontario (acquired in 1928). In the same year, GWL entered the U.S. biscuit business by acquiring 22% of George Weston Biscuit Co., Inc. in Watertown Mass. During the 1930's and 1940's, GWL acquired a large number of bakery and biscuit companies in Canada and several companies in the U.S. Many of the acquired companies were losing money and some were in default to their creditors. Mr. Weston was optimistic about the future of Canada and the U.S. and invested in these enterprises. By 1950, sales of GWL had reached $84.0 million and net profits were $1.9 million.

In 1933, GWL acquired 25% of George Weston Foods, Ltd., a biscuit and bakery company in the U.K. In 1935, GWL sold its entire holding in the U.K. company to its shareholders by way of a rights issue.

Mr. Weston moved to the U.K. in 1935, to concentrate on developing his food business in Britain. Since 1935, Mr. Weston has relied heavily on a few close associates to manage the affairs of George Weston Limited in North America. Mr. Weston's role after 1935 was essentially one of providing encouragement and inspiration to the Canadian management. He actively encouraged GWL to expand by acquisition into new business areas, such as food retail and wholesale distribution, forest products and packaging and seafood processing. Mr. Weston viewed the acquisition of distribution companies as a logical type of vertical integration for his food processing companies. In an article in Fortune magazine, Mr. Weston was quoted as saying that "All my life I have been looking for tied accounts - the kind that you don't have to sell every day".

George C. Metcalf (1947-1975)

Mr. George C. Metcalf was born in 1904 in Manchester, U.K. and moved to Canada at an early age. In 1919, at the age of 15, he joined William Neilson Limited in the cost control department. Mr. Metcalf worked for many years at Neilson's chocolate plant on Gladstone Avenue in Toronto, both in the cost department and in the sales department. He was appointed Assistant Sales Manager during the 1930's and became Sales Manager in 1945.

William Neilson Limited was incorporated in 1908 to carry on a chocolate and dairy business established in 1893 by Mr. William Neilson. The Company was controlled by the Neilson family until 1947. Mr. Morden Neilson, President of the Company, died in 1947 after a lengthy illness. On October 27, 1947, Mr. Garfield Weston acquired control of Neilson's for $4.5 million. Mr. Metcalf was instrumental in persuading the Neilson family to sell their company to Mr. Weston. In May, 1948, Mr. Weston transferred the ownership of Neilson's to George Weston Limited. As part of the consideration, Mr. Weston received 110,000 common shares of GWL. Adjusted for stock splits, this is equivalent to 1,760,000 common shares today.

Mr. Metcalf met Mr. Weston during the period from 1920 to 1926, when both executives were selling food products to Loblaw Groceterias. In 1947, Mr. Metcalf left Neilson's and joined Loblaw Groceterias Co., Limited as Vice-President. In the fall of 1947, J. Milton Cork, President of Groceterias, agreed to sell 111,500 class B shares of Groceterias to GWL over a five-year period for $3,623,750 (see separate discussion on Groceterias*). Mr. Metcalf was appointed General Manager of Groceterias in 1948, President in 1954 and Chairman of the Board in 1968.

Mr. Metcalf was appointed a Director of George Weston Limited in 1950 and President and Managing Director of GWL in 1954.

GWL acquired voting control of Loblaw Groceterias in 1955-56, and exchanged this holding for voting control of Loblaw Companies Limited upon its incorporation in 1956. (See separate discussion on Loblaw Companies**). Under Mr. Metcalf's leadership both GWL and LCL embarked on major acquisition programmes. From 1946 to 1975, GWL spent $150 million (net of disposals) on these acquisitions. From 1953 to 1975, LCL spent $258 million. The details of these acquisitions are summarized in Tables 17, and 19, on pages 81 and 84.

In making acquisitions, Mr. Metcalf often operated under a veil of secrecy. This was particularly so in the cases of B.C. Packers (acquired in 1959), Power Supermarkets (acquired in 1953), National Grocers, York Trading and O.K. Economy Stores (all acquired in 1955), Kelly, Douglas & Company (acquired in 1958), and Atlantic Wholesalers and Dionne Ltee (acquired in 1959). The ownership of these and other subsidiaries by Weston/Loblaw was not publicly announced until 1966.

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* Page 103;
** Page 98

Mr. Metcalf has stated that he bought most of the food distribution and processing companies from willing sellers. This was particularly so in the cases of the food wholesale companies. These companies were typically controlled by a family or a small group. In the period from 1945 to 1960, the wholesalers were concerned about the rapid expansion of supermarket chains such as Dominion Stores, Safeway, Steinberg's, A & P and Loblaw Groceterias. It was expected that the independents and the voluntary groups, who were supplied by the wholesalers, would lose a large share of the food market to the supermarket chains. Mr. Metcalf felt that there would always be room in Canada for hard working independents.

GWL bought a controlling interest in Western Grocers, Winnipeg in 1944 from Mr. W. P. Wiley and associates for $2.8 million. Mr. Wiley, who was President of Western, stated that he had "received three offers in recent years, including one from a U.S. company". He indicated that GWL made the best offer. GWL acquired the minority interest in Western Grocers in 1955, following a public takeover offer at $128 per share. The name of the Company was changed to Westfair Foods Limited in 1960. GWL did not change the management of Westfair following the takeover. For many years, the President of Westfair was Mr. E.S. Cooper, who was the son-in-law of the former President, Mr. W.P. Wiley.

Groceterias acquired voting control of Kelly, Douglas & Company, Limited in 1959, from the Kelly family and its heirs. At the time, a member of the Douglas family was negotiating to sell a block of shares of K-D to Dominion Stores. (See separate writeup on K-D*). The President of Kelly, Douglas in 1959 was Mr. Victor F. MacLean, and he retained this position until 1974. Mr. MacLean was related by marriage to the Kelly family in Vancouver.

Groceterias acquired control of National Grocers Company Limited in 1955. National Trust, acting on behalf of Groceterias as undisclosed principals, offered to buy all of the common shares at $17.75 per share, which was close to the book value. Most of the shares of National Grocers were owned by the Directors, who had combined their business to form National Grocers in 1925. Following the takeover, the two senior executives in National were Mr. Roy H. Bainard, President and Mr. J.J. Wiley, Vice-President who joined the Company in 1927 and 1929 respectively. Mr. Wiley was appointed President in 1967.

In 1959, Groceterias acquired control of Atlantic Wholesalers from the Dixon family of Sackville, N.B. Following the takeover, Mr. E.A. Dixon remained as President. Mr. Dixon died suddenly around 1962. He was succeeded as President by Mr. D.J. Hamm, the former Treasurer. Mr. Hamm is still President of Atlantic Wholesalers. Under Mr. Hamm's leadership, Atlantic expanded aggressively, both as a wholesaler and a retailer.

In 1959, Groceterias acquired 100% of Dionne Limitee in Montreal from Messrs. Paul and Alec Dionne. Prior to the takeover, the Dionne family was interested in selling their business to Steinberg's and Dominion Stores. Dionne was a relatively small company in 1959, and required additional capital to compete with Steinberg's and Dominion. Following the takeover, Mr. Paul Dionne remained as President. He became a substantial shareholder in Weston's. After 1959, Dionne opened 4 or 5 new supermarkets in Montreal and a few warehouse markets. However, Dionne which was consistently profitable, remained a relatively small company confined to Montreal.

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* Page 121;

In 1955, Groceterias acquired 100% of The O.K. Economy Stores Limited, Saskatoon, together with its subsidiary Shelly Brothers Limited. The vendors were the eight Shelly brothers. Following the takeover, Mr. Abe Shelly remained as President. At a later date, his son Mr. Ben H. Shelly was appointed President and General Manager.

Mr. Henry Shelly was appointed a Vice-President of Loblaw Groceterias, in charge of Western Canada. During the 1960's Mr. Henry Shelly spent some time in the U.K., assisting the management of Fine Fare. Mr. Ben H. Shelly was a Vice-President of National Grocers from 1967 to 1971. Ben Shelly was succeeded as President of O.K. Economy Stores by Mr. John Sawyer, who was previously Vice-President and Secretary-Treasurer.

The above examples illustrate the fact that, when Mr. Metcalf acquired a company, the management and the corporate strategy of the acquired company usually remained unchanged. The chief executives of the subsidiaries reported directly and exclusively to Mr. Metcalf. Key decisions were made by Mr. Metcalf, often after long delays due to the smallness of his staff at head office.

Mr. Metcalf, like Mr. Weston, is a very positive and optimistic individual. When executives visited his office, they were confronted with colourful signs containing slogans such as "Finish Right!", "Attitudes Are More Important than Facts", and "A Sense of Urgency". "Finish Right!" signified that the corporate objective for each subsidiary was to achieve an annual increase in sales and earnings, with a return on sales and invested capital at least as good as the average for their industries. During the Metcalf years, the retail and wholesale food distribution subsidiaries, as a group, achieved sales gains which were significantly below the industry average, resulting in a significant loss of market share. Profit margins of the wholesale subsidiaries were maintained at good levels. Margins of the retail subsidiaries were far below average, particularly in the cases of Loblaw Groceterias, National Tea, Loblaw Inc., Sayvette and Tamblyn. (See summary tables*). The retail/wholesale system did, however, represent a slowly growing market for the products of Weston's food processing subsidiaries.

Keith G. Dalglish (1967-1969)

Mr. Keith G. Dalglish was appointed Vice-President and Managing Director of George Weston Limited in December, 1967 and President in June 1968, succeeding Mr. Metcalf. Prior to these appointments, Mr. Dalglish from 1962 to 1967 was a partner in Thorne, Gunn, Helliwell and Christenson, who were Weston's auditors. Mr. Dalglish's primary responsibilities at Weston's were in the fields of food processing and wholesaling. Mr. Metcalf concentrated on the increasingly competitive retail operations of the Loblaw Group in Canada and the U.S. At this time, Mr. W. Galen Weston, aged 26, who lived in Ireland, was appointed a Director of George Weston Limited.

In a management interview in 1968, Mr. Dalglish said that Weston's hectic period of acquisitions was over. In future the Company would stress financial stability, cost control, profit planning, and increased marketing expenditures to build brand loyalty for Weston's products. He indicated that future growth could develop along the lines of Consolidated Foods in the U.S., with a heavy emphasis on food processing and marketing. Expansion in Canada would be internal, through capital expenditures rather than through acquisitions. The future growth of the retail subsidiaries in Canada would

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* Appendix

depend on their ability to lease space in the new regional shopping centres, preferably on an exclusive basis. Mr. Dalglish was impressed with the potential in the department store field. He wanted Sayvette to build a national chain of stores which were similar to Simpsons-Sears in terms of size and quality of merchandise, and encouraged National Tea Co. to consider this type of diversification move in the U.S.

Mr. Dalglish indicated that his mandate from Mr. W. Garfield Weston was to achieve a steady increase in sales and earnings and an expansion of the "family business". He expressed the hope that Weston's would earn a lot more money over the next five years through professional management.

Mr. Dalglish played an important role at Weston's in developing improved systems of financial reporting and financial planning at each subsidiary. The overall liquidity and working capital position of Weston's improved significantly during this period, assisted by the sale of 51% of Fine Fare in the U.K. for $40 million.

Mr. Dalglish resigned from Weston's in January, 1969 and rejoined his former auditing firm, who remained as Weston's auditors. He was succeeded as President and Managing Director by Mr. G. E. Creber who stated that Mr. Dalglish had held the position on an "interim basis."

G.E. Creber (1969-1974)

Mr. G.E. Creber was appointed President and Managing Director of George Weston Limited in January, 1969. Mr. Creber was a corporation lawyer and a senior partner in the law firm which acted as legal counsel to Weston's. He was also the personal attorney of the Weston family in Canada for many years and supervised the affairs of Wittington Investments Limited and the W. Garfield Weston Charitable Foundation. Mr. Creber was appointed a Director of Weston's in 1962.

At the time of his appointment in 1969, there was considerable speculation in the press that Mr. Creber would also be an "interim President" for a few years, to be succeeded by Mr. W. Galen Weston.

Mr. Creber recruited Mr. P. F. Connell as Vice-President of Finance and added several other executives to the head office staff of Weston's. Messrs. Creber and Connell installed elaborate systems of reporting and control for the subsidiary companies and improved both the profit planning and the working capital of the Company. In 1972, a key decision was made to sell part of the land in Hull, P.Q. owned by Eddy Paper Company to the National Capital Commission for $29.5 million. Upon completion of this transaction, Eddy ceased the production of newsprint. The profits of Eddy Paper were very low during 1970-1972. Profits increased significantly during 1973-1974, assisted by a surge in world demand for pulp and fine paper, the principal products of Eddy.

Under the leadership of Mr. Creber and Mr. Connell the profits of the consolidated group of Weston companies increased from $15.4 million in 1969 to $34.6 million in 1973. During this period, the results of Loblaw Companies were not consolidated in Weston's accounts, except to the extent of dividends received. Messrs. Creber and Connell, like Mr. Dalglish, were primarily concerned with the affairs of Weston's food processing and wholesale subsidiaries, together with the forest products and packaging subsidiaries.

Messrs. Creber and Connell worked hard to improve Weston's relations with shareholders and the financial community. In 1969, Weston's began to publish divisional figures for sales. Divisional profit figures were published for the first time in 1973, along with comparable data for 1972. The Company's annual reports carried more candid comments on operating problems and these were enlarged upon in meetings with shareholders, financial analysts and institutional investors.

In 1972, Weston's made a key decision to build a sugar refinery in Oshawa, Ontario at a cost of $9.0 million. The refinery opened in 1974, and incurred an after-tax loss of $7.6 million during the start-up year. Operations were hampered by technical problems and volatile swings in raw sugar prices. At the end of 1974, the inventories of Westcane Sugar were $37.5 million. The inventories were financed by bank loans at high interest rates, which contributed to the loss.

Mr. Creber resigned as President of Weston's in December 1974, and was succeeded as Chief Executive by Mr. W. Galen Weston. There were a number of policy matters that were not resolved during the period that Mr. Creber was President. These were:

1. The deteriorating competitive position of Loblaw's supermarket operations in Canada and the U.S;
2. Heavy losses at Sayvette and Tamblyn, due to a weak competitive position;
3. There was a duplication of brands and facilities in certain of the food processing divisions;
4. Weston's medium term goals were not clearly defined. There was uncertainty as to whether Weston's should concentrate on food processing or food distribution - or both. There was uncertainty as to whether the food processing divisions should concentrate on national brands or private label brands.

W. Galen Weston (1972)

Mr. W. Galen Weston was appointed Chief Executive Officer of Loblaw Companies Limited in February 1972, President of Loblaw Companies in 1973 and Chairman and Managing Director of George Weston Limited in November 1974. Galen Weston, age 36, holds an MBA degree from the University of Western Ontario. Prior to his appointments in Canada, he lived in Ireland, where he had responsibility for Weston distribution companies in Ireland, France and Germany.

In 1972, Mr. Weston made an in-depth analysis of the merchandising strategies, operating costs and competitive position of each subsidiary in the Loblaw Group. To assist in this task, and to help turn the Company around, Mr. Weston hired a great many experienced executives for senior and middle management positions. These executives were recruited in Canada, the U.S. and the U.K. and include the following people:

Name	Present Position	Previous Position
Richard Currie	Senior Vice-President George Weston Limited	McKinsey & Co. (consultants)
David A. Nichol	Senior Vice-President George Weston Limited	McKinsey & Co. (consultants)
Mark Hoffman	Senior Vice-President George Weston Limited	Hambros Bank, London, U.K.
James A. Watson	Chairman National Tea Co.	Gamble-Skogmo, Inc. (President)
R. J. Addington	President Kelly, Douglas & Company	Associated British Foods Limited (U.K.)
Valdyn W. Schulz	President National Tea Co.	Gamble-Skogmo, Inc. (Vice-President)
Frank M. Downie	Vice-President George Weston Limited	Warner Lambert Co. (Financial Director-Europe)
William P. Altman	President Loblaw Inc.	Jewel Companies, Inc. (Vice-President)
Simon Reisman	Director George Weston Limited	Dept. of Finance, Ottawa (Deputy Minister)
Sheldon Douglass	Vice-President Loblaw Companies Limited	Safeway Stores
Brian Y. Davidson	Vice-President Loblaw Companies Limited	N.A.

Under the leadership of Mr. Weston, the Loblaw food retailing subsidiaries were reorganized to a degree that is unprecedented in the food business in North America. The following major steps were taken:

1. Of the 1,100 supermarkets operated by the Loblaw Group in 1972, over 700 stores have been closed. Writeoffs in connection with the closure programme exceeded $80 million.
2. $40 million was spent on expanding and refurbishing existing supermarkets with outstanding potential.
3. Seven uneconomic warehouses were consolidated into two major new facilities - a 400,000 sq. ft. distribution centre in Toronto and a 600,000 sq. ft. distribution centre in Chicago.
4. New logos and a new corporate identity programme were developed for each subsidiary.
5. All private labels were redesigned to incorporate the new logos and a major new stress was placed on high quality competitively-priced private label products.
6. Powerful new advertising programmes were developed, which made heavy use of T.V., radio, billboards and newpapers.
7. The management of each operating subsidiary was strengthened, through the promotion of existing personnel and by attracting a large number of dynamic highly-qualified people from outside the group.
8. A decision was made in 1975 to close down all or most of the eleven department stores operated by Sayvette Limited. Six stores were closed in 1975, resulting in extraordinary writeoffs of $6.9 million.
9. During 1975, Loblaw Companies increased its ownership of Sayvette, Tamblyn and Loblaw Inc. to 100% and its ownership of National Tea Co. to 84.0%. The offers to minority shareholders were generous. As a result of these moves, Loblaw may change its corporate structure to better utilize tax losses which are available in National Tea Co. and Sayvette.

In the opinion of the writer, the problems facing Mr. Weston in 1972 were of a pressing and urgent nature. The drastic action that he initiated, including the provision of increased financial support, was definitely necessary to guarantee the survival of several subsidiaries, including Loblaw Groceterias, Loblaw Inc., National Tea, Tamblyn and Sayvette.

Mr. Weston and his associates made a key decision in 1974 that the emotional and financial commitment of George Weston Limited would be to the retail and wholesale distribution of food. Management intends to continue to restructure and redeploy assets in the food retail and wholesale subsidiaries until these subsidiaries reach or exceed the average profit levels of the industry. Broadly defined, the goal is to earn profits equal to 1.00% to 1.25% of sales, which should result in a return on common equity of 20% or more. This level of profit would be sufficient to provide capital funds for expansion, pay dividends (30% to 40% of earnings) and allow for repayment of some funded debt.

Unanswered Questions

Weston's commitment to food distribution leaves some unanswered questions about the future role of the subsidiaries in the food processing industries, and in fisheries, forest products and packaging. The key questions are as follows:

1. How much vertical and horizontal integration is desirable between Weston's food processing and distribution divisions? In 1974, it appears that inter-company sales were only 3.4% of total sales.
2. What are the tradeoffs between "national brands" and "private label brands" in a company such as Weston's? For example, at the present time there are no Weston national brands on the shelves at Dominion Stores. The Weston food processing companies lack access to Dominion, a $2.1 billion growing market - presumably because Dominion and Loblaw are arch rivals.
3. Weston's national brands are currently enjoying excellent shelf space at Steinberg's. How long would this last if Weston's began to open supermarkets in the Province of Quebec?
4. The profits in Weston's Fisheries Division are relatively low, due to volatile swings in world demand for and supply of sea foods, and the large amounts of capital required for inventories. Is this business compatible with management's goals of generating above average return on capital and achieving consistent growth in profit?
5. Weston's Forest Products Division, which produces pulp, fine papers and consumer tissue products, may not be compatible with the new emphasis on food distribution. Should the subsidiaries in this division be sold, and the proceeds used to strengthen and expand the distribution subsidiaries?

The Board of Directors and Officers of Weston's is set out on Page 68. Similar information for Loblaw Companies is contained on Page 69. Interlocking Directorships in the Weston Group are shown on Page 70. At the end of 1975 all of the Directors of Weston's were members of senior management. In the opinion of the writer Weston's Board would be strengthened by the inclusion of several outside directors.

GEORGE WESTON LIMITED

BOARD OF DIRECTORS

W. GALEN WESTON
Chairman of the Board
and Managing Director
George Weston Limited
Chairman and
Chief Executive Officer
Loblaw Companies Limited

W. GARFIELD WESTON
Vice Chairman of the Board
and President
George Weston Limited

GARRY H. WESTON
Chairman
Associated British Foods

RICHARD J. CURRIE
Senior Vice President
George Weston Limited
President
Loblaw Companies Limited

DAVID A. NICHOL
Senior Vice President
George Weston Limited
Executive Vice President
Loblaw Companies Limited
President
Loblaws Limited

MARK HOFFMAN
Senior Vice President
George Weston Limited

GEORGE C. METCALF
Vice President
George Weston Limited
Former President & Chairman
Loblaw Companies Limited

FRANK A. RIDDELL
Vice President
George Weston Limited
Chairman of the Board
Weston Bakeries Limited
President
InterBake Foods Limited

JAMES A. WATSON
Vice President
George Weston Limited
Chairman of the Board
National Tea Co.

RICHARD I. NELSON
Chairman of the Board
British Columbia Packers Limited

S. SIMON REISMAN
Chairman
Reisman & Grandy Ltd.

GENERAL COUNSEL	Smith, Lyons, Torrance, Stevenson and Mayer
AUDITORS	Thorne Riddell & Co. Toronto, Ontario
STOCK LISTINGS	Toronto, Montreal and Vancouver Stock Exchanges

LOBLAW COMPANIES LIMITED

DIRECTORS

W. Galen Weston

George C. Metcalf

W. Struan Robertson, Q.C.

Richard G. Meech, Q.C.

Richard J. Currie

David A. Nichol

Roger A. Lindsay

Mark Hoffman

OFFICERS

W. Galen Weston
Chairman & Chief Executive Officer

Richard J. Currie
President & Chief Operating Officer

David A. Nichol
Executive Vice President

Mark Hoffman
Vice President

George C. Metcalf
Former President & Chairman

Brian Y. Davidson
Vice-President, Sales Development

Sheldon Douglass
Vice-President, Controller

W. Struan Robertson, Q.C.
Secretary

Roger A. Lindsay
Assistant Secretary

Albert J. Joyce
Assistant Secretary

GENERAL COUNSEL

Borden & Elliot
Toronto, Ontario

AUDITORS

Thorne Riddell & Co.
Toronto, Ontario

STOCK LISTINGS

Toronto and Montreal
Stock Exchanges

GEORGE WESTON LIMITED

INTERLOCKING DIRECTORSHIPS IN THE WESTON GROUP

(December, 1975)

Directors	Weston	Loblaw	National Tea	Kelly, Douglas	B.C. Packers
W. Galen Weston	x	x	x	x	x
W. Garfield Weston	x				
Garry H. Weston	x				
Richard J. Currie	x	x	x	x	x
David A. Nichol	x	x	x	x	x
Mark Hoffman	x	x			x
George C. Metcalf	x	x	x		x
James A. Watson	x		x		
Frank A. Riddell	x				
Richard I. Nelson	x				x
S. Simon Reisman	x				x
W. Struan Robertson, Q.C.		x	x		
Richard J. Meech, Q.C.		x			
Roger A. Lindsay		x			
Sheldon V. Durtsche			x		
Hugo Mann			x		
Valdyn W. Schulz			x		
Raymond J. Addington				x	
Miss F. Mildred Douglas				x	
Charles H. Wills				x	
James T. Fraser *				x	
J. Bruce Buchanan					x
Edward L. Harrison					x
F. Lewis Jones, C.A.					x
Eric S. Turnill					x
James S. Wilson					x

Note * Alternate

SECTION VI

COMMENTS CONCERNING TRANSACTIONS WITH PARENT AND AFFILIATED COMPANIES, INCLUDING

W. Garfield Weston Charitable Foundation

Wittington Investments Limited

Wittington Realty & Construction Limited

Loblaw Companies Limited

Financial Assistance Programme 1968-1974

Glenhuron Properties Limited

Loblaw Leased Properties Limited

George Weston Properties Limited

Associated British Foods Limited

Dicoa Limited

Fine Fare (Holdings) Limited

COMMENTS CONCERNING TRANSACTIONS WITH PARENT AND AFFILIATED COMPANIES

Wittington Investments Limited

Wittington Investments Limited ("Wittington") is the parent company of George Weston Limited. (See Chart I.*) In May, 1976, Wittington owned 5,680,000 common shares of GWL, equivalent to 51.6% of the outstanding common shares.

Wittington was incorporated in Ontario in 1952 as a private investment company by Mr. W. Garfield Weston. Shortly thereafter Wittington acquired the controlling interest in GWL from Mr. Weston. At a later date, Mr. Weston transferred 84% of the voting shares of Wittington to the W. Garfield Weston Charitable Foundation.

The remaining 16% of Wittington is owned by members of the Weston family. The W. Garfield Weston Charitable Foundation directly owns 500,000 common shares of GWL, representing 4.5% of GWL's outstanding common shares.

Wittington Investments currently receives annual dividend income of $6.9 million from GWL. A large part of the $6.9 million is passed on to the Charitable Foundation by Wittington. However, in recent years, Wittington has commenced some important new activities. For example, in May, 1975, Wittington was reported as the owner of 599,700 class A and B shares of Loblaw Companies Limited, 200,000 common shares of National Tea Co. and 200,000 common shares of Loblaw Inc. These shares were acquired in the open market, at an estimated cost of $7.5 million.

Wittington Realty & Construction Limited

Wittington has a wholly-owned subsidiary called Wittington Realty & Construction Limited ("Realty") which has engaged in some major real estate transactions with Loblaw Companies Limited ("LCL"). The key dates are:

1. On November 19, 1971 Realty purchased certain mortgages and properties From LCL for $35.0 million cash.

2. On April 3, 1972 Realty purchased certain freehold and leasehold properties from LCL for $11.4 million.

3. On October 29, 1972, Realty purchased certain freehold properties from LCL for $852,000.

4. On March 31, 1973, Realty purchased certain freehold properties from Loblaw Groceterias for $2.3 million.

The above-mentioned purchases by Realty from LCL total $49.5 million. The purchases were part of the programme of financial assistance extended to Loblaw Companies Limited from 1968 to 1974, which is described below.

Loblaw Companies: Financial Assistance Programme (1968-1974)

Tables A12 and A13** indicate that the profitability of Loblaw Companies deteriorated significantly during the period 1956-1974, particularly after 1968. The Canadian Supermarket Division was unprofitable, and the situation worsened when Dominion

* Page 16; **Pages 155, 156.

Table 15
LOBLAW COMPANIES LIMITED

Methods by Which Financial Assistance
Was Extended to Loblaw Companies Limited
By George Weston Limited, and its Parent
and Affiliated Companies During the Period
1968 to 1974

	Date of Transaction	(000) Amount
1. Sale of Subsidiaries by Loblaw Cos. to Weston		
Kelly, Douglas & Company (1,074,614 class B., 9300 class A. shs (40.6% of equity))	Aug. 17, 1968	$9,891
Johnson Biscuit Company	April 1, 1969	3,250
George Weston Limited (123,106 shares sold to G.C. Metcalf (41,035) and Wittington Investments Limited (82,071))	June 4, 1969	2,708
Wall Street Storage	March 31, 1969	178
Donlands Dairy Limited	April 1, 1972	5,000
Kambly (of Switzerland)	April 29, 1972	NA
O.K. Economy Stores	March 31, 1973	7,402
Loblaw West (to Westfair)	Dec. 29, 1973	3,726
Tamblyn West (to Kelly, Douglas)	Dec. 28, 1974	4,727
		36,882
2. Loblaw Inc.		
Sale of 2,655,720 shares (71.45% interest) to National Tea Co.	March 28, 1969	24,216
3. Sale of Real Estate to Wittington Realty & Construction Limited (a subsidiary of Wittington Investments Limited		
- Properties and mortgages	Nov. 19, 1971	35,000
- Freehold & leasehold properties	April 3, 1972	11,362
- Freehold properties	Oct. 29, 1972	852
- Freehold properties	March 31, 1973	2,265
		49,479
4. Sale of real properties & leasehold interests to Wittington Investments		54,000
5. GRAND TOTAL		$164,577

Stores announced a discount pricing policy in November, 1970. Significant losses occurred in the U.S. at National Tea Co. (1973-1975) and Loblaw Inc. (1973, 1975) and in Canada at Sayvette (1972-1975) and G. Tamblyn Limited (1973-1975). In addition, Loblaw Companies Limited required large amounts of capital to modernize its supermarkets, pay its dividend and retire large amounts of funded debt associated with its $258 million acquisition programme.

During the period 1968-1974, LCL received $164.6 million in financial assistance from George Weston Limited and its parent and affiliated companies. LCL obtained $164.6 million by selling some of its subsidiaries and a large percentage of its real estate assets to affiliated companies. These transactions are summarized in Table 15. The sale of subsidiaries included Kelly, Douglas in 1968, Loblaw Inc. and Johnson Biscuit in 1969, Donlands Dairy in 1972, O.K. Economy Stores and Loblaw West in 1973 and Tamblyn West in 1974. As mentioned above, Wittington Realty & Construction purchased real estate assets for $49.5 million. On April 4, 1974, Wittington Investments purchased real properties and leasehold interests from LCL and Tamblyn for $54.0 million. This real estate package included LCL's interest in Glenhuron Properties Limited and its subsidiary Loblaw Leased Properties Limited. The purchase price was based on independent appraisal. As part of the transaction, LCL and Tamblyn agreed to lease the properties from Wittington at an annual rental of $6.9 million.

Glenhuron Properties Limited
Loblaw Leased Properties Limited
George Weston Properties Limited

In 1956, Loblaw Leased Properties Limited ("LLP") was incorporated as a vehicle to develop, own and finance real estate locations which were primarily leased to Loblaw Groceterias. LCL invested $4.3 million in the preferred shares of LLP in 1956, and this was later increased to $10.8 million. The common shares of LLP were issued for $5,000 in 1956 to undisclosed persons or corporations. LLP acquired about 100 supermarkets and several warehouses from Groceterias at a cost of $45 million. These properties were financed through the sale of debentures ($36 million) plus the preferred shares held by LCL ($10.8 million). LCL leased these properties at rentals which yielded LLP a gross return of 6% to 7% on its assets.

In 1955, Glenhuron Properties Limited ("Glenhuron") was formed as a financing vehicle for the Loblaw Group. Glenhuron acquired 100% of the common shares of LLP. Glenhuron then raised U.S. $33.0 million from a group of U.S. insurance companies. The cash was used by Glenhuron to purchase from Loblaw Groceterias a leasehold interest in a large number of Loblaw's operating properties. The Glenhuron notes were issued under a trust indenture which contained a number of restrictions on the right of Groceterias to freely sell, sub-lease and deal with the operating properties.

In 1971, Groceterias decided to close over 100 supermarkets in Canada as part of a programme to eliminate its losses. To gain flexibility in dealing with these 100 properties, LCL acquired all the outstanding Glenhuron notes in 1971 for U.S. $26.5 million. LCL also purchased the common shares of Glenhuron for U.S. $1,099. (The common shares of Glenhuron were issued at a nominal price in 1965 to a subsidiary of the New York investment banking firm which placed the original Glenhuron note issue). LCL financed its $26.5 million investment in Glenhuron through a term loan of $27.0 million with a Canadian bank, secured by shares of National Tea, Tamblyn, Glenhuron and LLP.

In 1974, LCL sold its interest in Glenhuron and Loblaw Leased Properties to Wittington Investments, as part of the $54.0 million transaction described above.

In March, 1970, GWL incorporated George Weston Properties Limited ("GWP") as a financing vehicle for properties owned within the Weston Group. The largest investment of GWP is a new $30.0 million distribution centre in Chicago, which is leased to National Tea Co. GWP financed this asset in part by a 9½% mortgage for $20.5 million which matures in 2004.

Dicoa Limited; Fine Fare (Holdings) Limited
Associated British Foods Limited

Mr. W. Garfield Weston and his family own about 70% of the ordinary shares of Associated British Foods Limited ("ABF"), based in London, England. ABF is the largest flour miller and baker in the world and has important interests in food processing and distribution companies in the U.K., Ireland, Australia and New Zealand, South Africa, Germany and France. In the March, 1975 fiscal year, ABF reported sales of £1,067 million and a net profit of £19.5 million.

In the early 1960's, ABF developed a chain of supermarkets in the U.K. trading under the name of "Fine Fare". The stores were owned by Fine Fare (Holdings) Limited, which was a subsidiary of ABF. In 1963, Fine Fare incurred a large loss. ABF sold 51% of Fine Fare to Dicoa Limited, a private Canadian investment company owned by Wittington Investments. George Weston Limited sent some Canadians to the U.K. to assist in the management of Fine Fare. In return, GWL received an option to buy 100% of Dicoa from Wittington. In November, 1966, GWL exercised this option and purchased 100% of Dicoa. As payment, GWL issued 53 class A treasury shares, valued at $1,000 to Wittington and assumed debts of Dicoa of about $18.7 million. The results of Dicoa Limited (and its 51% subsidiary, Fine Fare) were consolidated in the accounts of GWL on a pooling of interest basis in 1966. Sales of Fine Fare were $258.4 million in 1966. Weston's equity in the earnings of Fine Fare was $2,177,000 in 1966 on a pooling of interest basis. However, this figure was reduced to $1,336,000 after deducting interest expense of Dicoa.

In 1967, GWL sold 31% of Fine Fare to ABF for $23.4 million. The remaining 20% of Fine Fare was sold to ABF in 1968 for $16.8 million. On these two transactions, GWL realized aggregate capital gains of $16.0 million.

GWL was influenced to sell Fine Fare to ABF by three factors as follows:

1. The British pound appeared to be over-valued in 1967 (the conversion rate was £1=$3 in 1967 compared with the current of £1=$1.70).

2. The turnaround of Fine Fare from 1963 to 1966 was primarily engineered by the management of ABF and not by the management of Weston's. Therefore, ABF was anxious to regain 100% ownership of its former subsidiary.

3. Weston's knew that Loblaw Companies would require substantial funds if it was to regain its former levels of profitability.

Fine Fare has been quite profitable in recent years. Despite this, Weston's was probably wise to sell Fine Fare in 1967-1968. The price of $40.2 million for 51% of Fine Fare appears favourable, particularly since the pound sterling has been devalued by 43% since 1967.

FINE FARE (HOLDINGS) LIMITED

Year to March 31	1971	1972	1973	1974	1975
Sales (mil.)	£171.7	£189.3	£197.5	£217.6	£254.7
Operating Profit	4,975	6,278	8,747	10,495	10,029
Profit bef. Taxes (000)	2,271	3,678	4,089	5,262	2,039
Income Taxes	851	1,390	1,351	2,588	(1,486) (1)
Net Profit	1,420	2,288	2,738	2,674	3,525

(1) Reflects adjustments for the grouping of income with other subsidiaries of ABF, which is allowable under U.K. tax laws.

SECTION VII

THE ACQUISITION PROGRAMME FROM 1928 to 1975

DETAILED COMMENTS ON SELECTED ACQUISITIONS

FOREST PRODUCTS DIVISION
- Eddy Paper Company Limited

FISHERIES DIVISION
- British Columbia Packers Limited

PACKAGING DIVISION
- Somerville Industries Limited

LOBLAW COMPANIES LIMITED
- Loblaw Groceterias Co., Limited
- National Tea Co.
- Loblaw Inc.
- Kelly, Douglas & Company, Limited
- Sayvette Limited

ASSOCIATED COMPANIES
- Sobeys Stores Limited
- M. Loeb Limited

THE ACQUISITION PROGRAMME FROM 1928 to 1975

Weston's Acquisition Programme - From 1928 to 1949 ($12 million)

George Weston Limited ("GWL") was incorporated in 1928 to acquire the assets and undertaking of the Weston biscuit business in Toronto. Mr. W. Garfield Weston was President of GWL. At the time of his appointment to the predecessor company in 1924, Mr. Weston stated his intention "to build a business that would never know completion but advance continually to meet advancing conditions".

In 1928, GWL acquired William Paterson Limited, a biscuit and confectionery manufacturer in Brantford, Ontario. Combined sales of the two biscuit companies were about $3.0 million in 1928, and net profit was $168,000. In 1931, GWL acquired George Weston Bread & Cakes Ltd. from the Weston family. This company operated the largest bakery in Toronto, producing bread, rolls, cakes and pies.

GWL entered the U.S. biscuit business in 1928, through the acquisition of a 22% interest in George Weston Biscuit Co., Inc., based in Watertown, Mass. This company held the U.S. rights to manufacture Weston's "English Quality" biscuits. The Company was subsequently recapitalized and the name changed to Weston Biscuit Co., Ltd. In 1933, GWL increased its ownership of the U.S. subsidiary to 90% as the result of a share exchange offer. Control was later increased to 100% and the name changed to Weston Biscuit Company Inc. The U.S. subsidiary opened new biscuit factories at Passaic, N.J. in 1934 and at Battle Creek, Michigan in 1936. Southern Biscuit Company, based in Richmond, Virginia, was acquired in 1944 for $1.7 million. American Biscuit Company, based in Tacoma, Washington was acquired around 1948.

From 1928 to 1949, GWL acquired a total of ten companies in the bakery and biscuit business in Canada plus the three biscuit companies in the U.S. The largest acquisition was McCormick's Limited, based in London, Ontario. GWL acquired 61.6% of McCormick's in March, 1937 in exchange for $10,000 and 25,000 common shares of GWL (equivalent to 400,000 shares today). As part of this transaction, GWL guaranteed $1.4 million of indebtedness of McCormick's. The remaining common shares of McCormick's were acquired in August, 1937 following a reorganization and exchange offer.

In 1944, Weston's diversified into the wholesale grocery business when it purchased control of Western Grocers Limited, based in Winnipeg, for $2.9 million. In 1946, GWL converted its investments in Western Grocers into new classes of preferred, class A and common shares. The preferred and class A shares were sold for about $2.0 million, reducing Weston's cost to $0.9 million for a 52.2% equity interest in Western Grocers. In 1955, GWL acquired the minority interest in Western Grocers for $5.3 million following a successful public takeover offer at $128 per share. The name of the Company was changed to Westfair Foods Limited in 1955. Sales of Westfair Foods increased from about $142 million in 1955 to $338 million in 1975. In 1975, GWL sold its 100% interest in Westfair Foods to Kelly, Douglas & Company, Limited. The book value of the common equity of Westfair Foods at the end of 1974 was about $41.8 million.

Table 16

GEORGE WESTON LIMITED

Estimated Cost of Acquisition Programme
From 1928 to 1948

Name of Subsidiary	Year	No.of Shares	% Ownership	(mil.) Estim. Cost
WILLIAM PATERSON LIMITED	1928	4,000	100.0%	$ 0.4
GEORGE WESTON BISCUIT CO.,INC.				
Initial Investment	1928	12,500	25.0	-
Rights Issue	1930	10,000	-	0.2
Additional Investment	1931	34,500	32.0	0.5
Exchange for Weston Biscuit Co.	1933	(57,000)	(57.0)	(0.7)
GEORGE WESTON BREAD & CAKES,LTD.	1931	N/A	100.0	0.9
REGAL BAKERIES LIMITED	1931	N/A	100.0	0.5
INDEPENDENT BISCUIT COMPANY LTD.	1931	5,000	100.0	0.1
WESTON BISCUIT COMPANY INC.(USA)				
Initial Investment	1933	23,000	46.0	0.7
Offer 1 GWL for 2 WBCI	1933	22,000	44.0	0.7
Increase Ownership to 100%	1933+	5,000	10.0	0.1
GEORGE WESTON FOODS,LTD.(U.K.)				
Initial Investment	1933	250,000	25.0	0.3
Sale to Shareholders (Rights)	1935	(250,000)	(25.0)	(0.6)
ONTARIO BAKERIES, LIMITED	1933	N/A	100.0	0.1
McCORMICK'S LIMITED				
Initial Investment	1937	70,001	61.6	0.3
Increase Ownership to 100%	1937	43,599	38.4	-
INTER-CITY WESTERN BAKERIES,LTD.	1938	N/A	100.0	0.6
DR. JACKSON FOODS LIMITED	1942	N/A	100.0	0.2
NATIONAL BISCUIT & CONFECTION CO.	1943	N/A	100.0	0.3
SOUTHERN BISCUIT COMPANY, INC.	1944	6,863	100.0	1.7
WESTERN GROCERS LIMITED				
Purchase Common Shares	1944	10,087	59.5	2.9
Purchase Preferred Shares	1944	5,000	41.8	
Exchange Shs.in Reorganization				
Preferred Shs.$20 par	1946	25,000		
Class A shares npv $2 Div.	1946	40,348		
Common Shares (new)	1946	45,261	52.2	
Sale of Preferred Shares	1946-50	(25,000)		(0.5)
Sale of Class A Shares	1046-50	(40,348)		(1.5)
EDMONTON CITY BAKING LIMITED	1945	N/A	100.0	0.2
DIETRICH'S BAKERIES LIMITED	1946	N/A	100.0	0.1
WILLIAM NEILSON LIMITED	1948	100,000	100.0	4.5
GRAND TOTALS				
Initial Investments				$15.3
Subsequent Disposals				(3.3)
Net Investment by George Weston Limited				$12.0

In 1947, Mr. W. Garfield Weston acquired 100% of William Neilson Limited, a large chocolate and ice cream manufacturer based in Toronto for $4.5 million. This investment was resold to GWL in 1948. As partial payment, Mr. Weston received 110,000 common shares of GWL (equivalent to 1,760,000 shares today as a result of stock splits).

The acquisition programme of GWL from 1928 to 1949 is summarized in Table 16. The net cost of the programme is estimated at $12.0 million. These takeovers were financed by issues of preferred shares in 1944 ($3.5 million) and 1948 ($3.0 million), the issues of common shares in connection with the acquisition of McCormick's and Neilson's and partially from cash flow.

As a result of these acquisitions, sales of GWL were about $84.0 million in 1950 compared with $3.0 million in 1928. Net profit increased from $168,000 in 1928 to $1.9 million in 1950. All of Weston's sales and earnings in 1950 were derived from food processing (biscuits, bakery, chocolate & dairy). The results of Western Grocers were not consolidated until 1955.

Weston's Acquisition Programme From 1950 to 1975 ($150 million)

The corporate structure of GWL changed dramatically after 1950, because of acquisitions in new fields of business for Weston's. Burns Fry estimates that GWL spent $310 million on the acquisition of subsidiaries from 1950 to 1975, including the initial investments in Westfair Foods and Loblaw Companies Limited ("LCL") in 1946 and 1947 respectively. The net cost of this acquisition programme is estimated at $150.0 million, after deducting $160 million for transfers of ownership between Weston's and LCL. The details of the $150 million acquisition programme are summarized in Table 17.

At the end of 1976, Weston's owned 27.8 million shares of Loblaw Companies Limited (equity interest of 87.1%) which were acquired at an estimated cost of $127.8 million ($4.60 per share). The steps leading up to this controlling interest are described in detail in this section of the report, beginning on page 98.

Key acquisitions from 1950 to 1975 include Somerville Industries Limited in 1957 (see page 95), Eddy Paper Company Limited in 1962 (see page 87) and British Columbia Packers Limited in 1962 (see page 91).

In 1966, GWL acquired 100% of Dicoa Limited and its 51% owned subsidiary, Fine Fare (Holdings) Limited in the U.K. for about $18.7 million. During 1967-1968, GWL sold its 51% interest in Fine Fare to Associated British Foods Limited in the U.K. for $40.2 million.

During the period from 1968 to 1973 GWL purchased several subsidiaries from Loblaw Companies Limited, including Kelly, Douglas & Company, Donlands Dairy, and The O.K. Economy Stores Limited. These transactions were part of a $164.6 million programme of financial assistance extended to Loblaw Companies by GWL and its parent and affiliated companies. These transactions, along with the purchase and resale of Fine Fare are discussed more fully in Section VI.

Table 17

GEORGE WESTON LIMITED

Estimated Cost of Acquisition Programme
from 1946 to 1975

Name of Subsidiary	Year	No. of Share	% Ownership	(mil.) Est. Cost
WESTFAIR FOODS LIMITED				
Initial Investment	1946	45,261	52.2%	$ 0.9
Takeover Offer at $128	1955	41,397	47.8	5.3
Sale of 100% to Kelly, Douglas	1975	(86,658)	(100.0)	(41.8)
LOBLAW GROCETERIAS CO., LIMITED				
Initial Investment	1947	111,500	11.7	3.6
Purchase from G.C. Metcalf	1952	25,000	2.6	0.6
Received re Sale of Loblaw Inc.	1953	100,000	10.4	3.9
Open Market Purchases	1953-56	12,305	1.4	(0.9)
Exchanged for Loblaw Companies Ltd.	1956	(248,805)	(26.1)	(7.2)
PHILPOTT'S BREAD AND CAKES LIMITED	1953	N/A	100.0	0.2
WILLARDS CHOCOLATE COMPANY LIMITED	1955	75,000	100.0	1.5
MARVEN'S LIMITED	1955	100,000	100.0	0.8
LOBLAW COMPANIES LIMITED				
Initial Investment	1956	3,980,880	46.4	7.2
Open Market Purchases	1957-74	3,154,384	16.8	25.8
Acquire 81% of Kelly, Douglas	1975	10,880,871	18.1	54.2
Acquire 100% of Old State Foods	1975	1,572,472	1.2	7.8
		19,588,607	82.5	95.0
SOMERVILLE INDUSTRIES LIMITED	1957	356,300	100.0	6.4
EDDY PAPER COMPANY LIMITED	1962	1,196,499	100.0	26.6
BRITISH COLUMBIA PACKERS LIMITED				
Initial Investment	1962	300,000E	50.5	6.0
Open Market Purchases	1963-74	186,159E	31.3	4.0
DEVON ICE CREAM LIMITED	1955	N/A	100.0	1.0
OLD STATE FOODS, INC. (Peter Schmitt)				
Initial Investment	1965	N/A	100.0	4.0
Sale of 100% to Loblaw Companies	1975	N/A	(100.0)	(7.8)
J. E. BOYLE LIMITED (by Eddy Paper)	1965	N/A	100.0	0.5
LANE'S BAKERIES LIMITED	1965	N/A	100.0	0.3
DICOA LIMITED (owned 51% of Fine Fare)	1966	N/A	100.0	18.7
FINE FARE (HOLDINGS) LIMITED				
Sale of 31% to Assoc. British Foods	1967	N/A	(31.0)	(23.4)
Sale of 20% to Assoc. British Foods	1968	N/A	(20.0)	(16.8)
CONNORS BROS. LIMITED	1967	672,000	96.0	7.5
KELLY, DOUGLAS & COMPANY, LIMITED				
Purchase 40.6% from Loblaw Companies	1968	1,083,941	40.6	9.9
Open Market Purchases	1969-74	352,658	14.1	2.5
Sale of 100% of Westfair Foods to KD	1975	3,700,000	26.5	41.8
Sale of 81.2% of K-D to Loblaw Cos.	1975	(5,136,599)	(81.2)	(54.2)
JOHNSON BISCUIT COMPANY	1969	N/A	100.0	3.3
BROWN FOREST INDUSTRIES	1969	50,000	100.0	30.2
EASTERN FINE PAPER INC.	1969	N/A	80.0	2.8
SOO LINE MILLS LIMITED	1970	N/A	100.0	1.0
McCARTHY MILLING COMPANY LIMITED	1972	35,442	68.0	0.5
STUART LIMITED	1972	N/A	80.0	2.4
DONLANDS DAIRY LIMITED	1972	19,720	100.0	5.0
KAMBLY (OF SWITZERLAND) CANADA LTD.	1972	N/A	100.0	N/A
BOWES COMPANY, LIMITED	1972	605,035	100.0	16.6
THE O.K. ECONOMY STORES LIMITED				
Purchase from Loblaw Companies	1973	2,328	100.0	7.4
Sale to Westfair Foods Limited	1973	(2,328)	(100.0)	(8.1)
GRAND TOTALS				
Initial Investments				310.2
Subsequent Disposals				160.2
Net Investment by George Weston Limited				$150.0

Table 18

GEORGE WESTON LIMITED

Estimated Method of Financing $157 Million Acquisition Programme from 1944 to 1975

Sale of Preferred Shares		Year	(mil.) Amount
4½% Preferred Shares First Series $100 par		1944	$ 3.5
4½% Preferred Shares First Series $100 par		1948	3.0
4½% Preferred Shares First Series $100 par		1951	5.5
6 % Preferred Shares Second Series $100 par		1957	8.0
6 % Preferred Shares Third-Seventh Ser. $100		1970-74	3.0
			23.0
Sale of Debentures			
George Weston Limited			
4.75% S.F. Debentures due Jan. 15, 1968		1953	8.0
4.75% S.F. Debentures due Oct. 15, 1971		1956	10.0
4.87% Serial Debentures due May 15, 1963/68		1962	3.2
5.25% S.F. Debentures due May 15, 1982		1962	11.8
5.00% Serial Debentures due May 15, 1964/68		1963	2.6
5.50% S.F. Debentures due May 15, 1983		1963	12.4
6.75% S.F. Debentures due July 15, 1986		1966	10.0
6.75% S.F. Debentures due June 1, 1987		1967	25.0
			83.0
Eddy Paper Company Limited			
7.00% S.F. Debentures due April 30, 1989		1969	29.1
Sale of Class A Treasury Shares			
Exercise of Warrants	(883,944 shs.)	1958/66	7.7
Acquisition of Eddy Paper Co.	(1,794,608 shs.)	1962	26.6
Acquisition of Dicoa Limited	(53 shs.)	1966	-
Conversion of Pfd. Shares	(90,004 shs.)	1971/74	1.7
			36.0
TOTAL FUNDS RAISED THROUGH THE SALE OF SECURITIES			$171.1

In 1972, GWL acquired 100% of Bowes Company, Limited as a result of a private purchase and public offer, both at a price of $27.50 per share.

Table 18 indicates that Weston's raised a total of $171.0 million from 1944 to 1975 through the sale of the following securities:

Preferred Shares	$ 23.0	million
Debentures	83.0	million
Common Shares	36.0	million
Eddy Paper - Debentures	29.0	million
	$ 171.0	million

The total of $171 million was more than sufficient to finance the $150 million acquisition programme from 1950 to 1975.

Loblaw's Acquisition Programme From 1953 to 1975 ($258 million)

Burns Fry estimates that Loblaw Companies Limited spent $309 million on the acquisition of subsidiaries from 1953 to 1975. After deducting $51.5 million for disposals, the net cost of this programme is estimated at $258 million. The details of this programme are summarized in Table 19.

At the end of 1975, LCL owned 8.4 million shares (84.0% equity interest) of National Tea Co., based in Chicago. Control of National Tea was acquired in stages commencing in 1956. The fascinating details and corporate maneuvers concerning this acquisition are discussed in the section beginning on page 109.

The acquisition, subsequent sale and subsequent repurchase of control of Kelly, Douglas & Company, Limited raise several interesting questions concerning the treatment of minority interests. (See the section beginning page 121).

Other key acquisitions by Loblaw Companies included Loblaw Inc., (see page 118) and Sayvette Limited (see page 127). Brief comments concerning the acquisition of National Grocers, Atlantic Wholesalers, Dionne Limitee and G. Tamblyn Limited are contained on pages 62, 106 and 107.

Table 20 indicates that Loblaw Companies Limited raised a total of $258.0 million from 1953 to 1975 as follows:

Issue of Class A & B shares		
Re Loblaw Inc.	$ 4.5	million
Re Kelly, Douglas	57.6	million
Re Old State Foods	7.0	million
Issue of Preferred Shares		
Loblaw Groceterias	32.3	million
DFC Inc.	31.0	million
Issue of Debentures	80.0	million
Bank Term Loans	37.5	million
Cash Flow & Other	8.1	million
	$ 258.0	million

Table 19

LOBLAW COMPANIES LIMITED

Estimated Cost of Acquisition Programme
from 1953 to 1975

Name of Subsidiary	Year	No. of Shares	% Ownership	(mil.) Est. Cost
LOBLAW INC.				
Initial Investment	1928-52	58,930	16.8%	$ 0.2
Purchased from George Weston	1953	1,937,340	40.0	7.7
Open Market Purchases	1954-68	659,450	14.7	6.1
Sale to National Tea Co.	1969	(2,655,720)	(71.5)	(24.2)
Purchase from National Tea	1973	2,717,100	73.1	26.0
Increase Ownership to 100%	1975	999,907	26.9	6.0
POWER SUPERMARKETS LIMITED	1953	19,992	100.0	3.0
PICKERING FARMS LIMITED	1954	N/A	100.0	0.4
THE O.K. ECONOMY STORES LTD.				
Initial Investment	1955	2,328	100.0	3.0
Sale to George Weston	1973	(2,328)	(100.0)	(7.4)
NATIONAL GROCERS COMPANY	1955-75	295,852	100.0	5.3
YORK TRADING LIMITED				
Initial Investment	1955-69	26,248	99.3	1.0
Sale to Sayvette Limited	1969	(26,248)	(99.3)	(2.5)
Purchase from Sayvette	1972	26,248	99.3	4.3
NATIONAL TEA CO.				
Initial Investment	1956	1,725,000	27.0	34.4
Open Market Purchases	1956-62	765,171	2.2	13.0
Purchase from Loblaw Inc.	1963	1,100,000	12.9	20.9
Purchase from Weston Biscuit	1963	537,665	6.3	10.1
Open Market Purchases	1964-73	59,680	4.9	0.7
Purchase from Loblaw Inc.	1973	262,963	3.4	1.2
Increase Ownership to 84%	1975	3,949,521	27.3	27.7
Loans from Loblaw Companies	1973-75			39.0
KELLY, DOUGLAS & COMPANY LTD.				
Initial Investment	1959	1,074,641	44.8	8.4
Sale to George Weston	1968	(1,083,941)	(40.6)	(9.9)
Purchase from George Weston	1975	5,136,599	81.0	57.6
DIONNE LIMITEE	1959	25,000	100.0	1.8
ATLANTIC WHOLESALERS LIMITED	1959-75	71,775	87.0	3.8
ZEHR'S MARKETS LIMITED	1963-75	N/A	95.0	2.2
FEDERAL FARMS LIMITED				
Initial Investment	1963-68	580,600	78.9	2.5
Sale to Management	1969	(580,600)	(78.9)	(2.5)
DONLANDS DAIRY LIMITED				
Initial Investment	1964	19,720	100.0	1.8
Sale to George Weston	1972	(19,720)	(100.0)	(5.0)
G. TAMBLYN LIMITED				
Initial Investment	1965	146,491	51.7	2.9
Open Market Purchases	1965-74	50,000	8.1	0.5
Increase Ownership to 100%	1975	113,753	40.2	2.3
SAYVETTE LIMITED				
Initial Investment	1964	61,600	5.4	0.2
Exercise Option	1969	800,000	23.3	2.6
Received for York Trading	1969	1,191,780	34.8	2.5
Purchase from George Weston	1973	196,460	6.0	0.7
Open Market Purchases	1974	47,420	0.3	0.2
Increase Ownership to 100%	1975	993,045	30.2	2.5
OLD STATE FOODS, INC.				
Purchase from George Weston	1975	N/A	100.0	7.0
GRAND TOTALS				
Initial Investments				$309.5
Subsequent Disposals				(51.5)
Net Investment by Loblaw Companies Limited				$258.0

Table 20

LOBLAW COMPANIES LIMITED

Estimated Method of Financing $258 Million Acquisition Programme From 1953 to 1975

	Year	(mil.) Amount
LOBLAW GROCETERIAS CO., LIMITED		
Issue of Class B Shares		
25,000 shares issued to G.C. Metcalf	1952	$ 0.6
100,000 shares issued to G. Weston Limited	1953	3.9
		4.5
Issue of Preference Shares		
665,000 $1.50 Series A Shares $30.00 par @ $33½	1956	22.3
335,000 $1.60 Series B Shares $30.00 par @ $30	1958	10.0
		32.3
Issue of Debentures		
4.75% S.F. Debentures due March 1, 1973	1953	8.0
4.75% S.F. Debentures due March 1, 1974	1954	10.0
4.00% Serial Debentures due Oct.15,1956/65	1955	4.0
4.00% S.F. Debentures due Oct.15, 1975	1955	8.0
4.75% Convert. S.F. Deb. due Oct. 1, 1976	1956	12.0
6.00% S.F. Debentures due Sept. 1, 1977	1957	8.0
5.75% S.F. Debentures due Nov. 1, 1981	1961	10.0
6.37% S.F.Debentures due Mar. 1, 1991	1966	10.0
6.75% Serial Debentures due Mar. 15, 1968/72	1967	2.0
6.75% S.F. Debentures due Mar. 15, 1991	1967	8.0
		80.0
Bank Term Loan - 1974		15.0
D.F.C. INC.		
Issue of Preference Shares ($1,000 par)		
20,900 5% Preference Shares - to Loblaw Inc.	1963	20.9
10,100 5% Preference Shares - to Weston Biscuit	1963	10.1
		30.1
LOBLAW COMPANIES LIMITED		
Bank Term Loan and Notes		
7% Note	1968	0.5
8½% Note	1973	2.0
Bank Term Loan	1974	20.0
		22.5
Issue of Class A & B Shares		
6,676,501 Class A Shs., 4,204,370 Class B Shs. (re acquisition of 81% of Kelly, Douglas)	1975	57.6
786,236 Class A Shs., 786,236 Class B Shs. (re acquisition of 100% of Old State Foods,Inc.)	1975	7.0
		64.6
Retained Earnings & Other		9.0
TOTAL FINANCING		$258.0

Loblaw Companies also raised $164.6 million from 1968 to 1974 through the sale of subsidiaries and real estate assets to affiliated companies. It is not possible to precisely identify which funds were used by Loblaw Companies to finance specific acquisitions, to pay for capital expenditures, to retire funded debt and to pay dividends. However, in the opinion of the writer Loblaw financed an excessive amount of its acquisition programme with borrowed money, involving heavy annual "fixed costs" in the form of interest expense and preferred dividends. This is particularly true in the case of Loblaw's investment in National Tea Co., which reached $150 million at the end of 1975.

The following sections discuss the detailed methods used by Weston's and Loblaw Companies to acquire selected subsidiaries from 1947 to 1975.

EDDY PAPER COMPANY LIMITED

Acquisition of 100% of the Common Shares of Eddy Paper Company Limited by George Weston Limited

Eddy Paper Company Limited ("EPC"), was incorporated under the laws of Canada as a holding company on July 1, 1946. Upon incorporation, EPC acquired 100% of the common shares of The E. B. Eddy Company for $8,000,000. The E. B. Eddy Company was incorporated in 1886 by Special Act of Parliament to continue a business founded in 1851. In 1946, Eddy operated plants in Hull, P.Q. and Ottawa that manufactured newsprint, paperboard, fine papers, and a range of consumer products including facial tissues, bathroom tissues, towels and serviettes. Well-known brands of E. B. Eddy include "White Swan", "Capri", "Babies Only Please", "Vanity" and "Onliwon" on consumer products, and "Cheneaux", "Starbrite" and "Wellington Offset" on fine papers.

The vendor of The E. B. Eddy Company was J. R. Booth, Limited, a company controlled by Mr. W. Garfield Weston. J. R. Booth, Limited purchased 100% of The E. B. Eddy Company in August, 1943 from Viscount R. B. Bennett and the Gatineau Power Company.

EPC financed its $8.0 million investment in The E.B. Eddy Company through the sale of 200,000 class A shares at $20.00 per share, and the issuance of 200,000 common shares to J. R. Booth, Limited. In 1946, the capitalization of EPC was as follows:

Shareholders' Equity		
Issued Capital		
200,000 class A shares	$ 4,000,000	
200,000 common shares	4,000,000	
Capital Surplus	1,207,518	
	$ 9,207,518	
Book Value per Share	$ 7.67	(1)

(1) based on 1,200,000 shares

The common shares of EPC were split 3 for 1 in 1961. Allowing for the conversion of class A shares, the potential number of shares outstanding in 1961 was 1,200,000. Of these, Mr. Weston controlled 600,000 shares through J. R. Booth, Limited.

In 1961, sales of Eddy Paper Company were $32.9 million. Net profit in 1961 was reported as $2,078,424 including a profit of $293,482 on the sale of securities. Deferred taxes in 1961 were $321,000. Net profit from operations in 1961 was $1,463,942, after adjusting for deferred taxes and excluding capital gains. The capitalization of Eddy Paper Company on December 31, 1961 was as follows:

Shareholders' Equity	
Issued Capital	
24,159 class A shares	$ 483,180
1,127,523 common shares	7,516,820
Retained Earnings	18,626,306
	26,626,306

Book value per share at the end of 1961 was $22.19 compared with $7.87 in 1946. E.P.S. from operations in 1961 were $1.22, based on 1.2 million shares outstanding.

In the spring of 1962, George Weston Limited made a public offer to acquire 100% of Eddy Paper Company, on the basis of $1\frac{1}{2}$ class A shares of Weston's plus $1.50 cash, for each common share of Eddy Paper Company. The offer was made in the form of a prospectus, and was 100% successful. George Weston Limited acquired 1,196,499 common shares of Eddy Paper Company (including 68,976 shares converted from class A) in exchange for 1,794,608 class A shares of Weston's and $1,796,844 cash.

Mr. Garfield Weston (through J. R. Booth, Limited) received 900,000 class A shares of George Weston Limited and $900,000 in cash in exchange for his holding of 600,000 common shares of Eddy Paper Company.

The past earnings history of Eddy Paper Company from 1962 through 1974 is set out in Table A9*. (The data are taken from the Company's annual filing with the Federal Department of Corporate and Consumer Affairs). Sales in 1962 were $35.6 million. Net profit was $2.3 million in 1962, after deducting $0.2 million for deferred taxes.

The results of Eddy Paper Company were included in the consolidated accounts of George Weston Limited in 1962, on a pooling of interest basis. George Weston reported a net profit of $10.5 million in 1962, compared with $7.7 million in 1961 (deferred tax basis). Analysis of Weston's accounts in 1962 is complicated by the fact that the results of B.C. Packers were also consolidated for the first time in 1962. In Tables 2 and A3** we have estimated the sales and earnings of Weston's by division for each year from 1950 to 1974. Our analysis suggests that the net profit in the Food Processing Division reached a peak at $4.9 million in 1961, declining to $4.4 million in 1962, $3.8 million in 1963, and to a low point of $1.5 million in 1967. The inclusion of the results of Eddy Paper and B.C. Packers, commencing in 1962, masked the fact that a significant deterioration was occurring in the Food Processing Division.

The profits of Eddy Paper Company remained in an uptrend through 1966, peaking at $4.0 million in that year. In 1966, the Canadian dollar was allowed to appreciate, at a time when the Federal Government was reducing tariffs on the importation of fine papers. These events, plus the economic downturn in Canada in 1967-68, caused a severe decline in the earnings of Eddy Paper, to $1.8 million in 1968, $2.2 million in 1969, $2.0 million in 1970 and $0.4 million in 1971.

In 1965, Eddy Paper Company acquired 100% of J.E. Boyle Limited, which operated a sawmill in Davidson, P.Q. Mr. W. Garfield Weston owned 75% of the common shares of J.E. Boyle Limited in 1965.

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* Page 152

** Table 2, page 25; Table A3, page 142

In 1969, Eddy Paper Company acquired 100% of Eddy Forest Products Limited (formerly Brown Forest Products Limited) from Brown Company in the U.S. The total cost of this acquisition was about Can. $30.0 million, satisfied mainly by the assumption by Eddy Paper Company of long term obligations of U.S. $27 million at 7% payable in 1989. Brown Forest Products operates a pulp and paper mill at Espanola, Ontario with converting plants at Hamilton (Appleford Paper) and Montreal.

In 1970, George Weston Limited acquired 80% of Eastern Fine Paper Inc., located in Brewer, Maine, and added this subsidiary to its Forest Products Division.

In 1972, Eddy Paper Company sold a portion of its property in Hull, P.Q. to the National Capital Commission for $29.5 million. A capital gain of $11,340,000 was recorded on this transaction. Upon the completion of this transaction, E.B. Eddy Company closed down its sulphite mill, groundwood mill and newsprint operations at Hull, and totally ceased the production of newsprint.

The net profit both of Eddy Paper Company and Weston's Forest Products Division improved dramatically in 1973 and 1974, associated with inflationary increases in world demand for pulp and paper products. See below, and Tables 2 and A9* for additional details.

FOREST PRODUCTS DIVISION

Sales (mil)	1971	1972	1973	1974	1975E
Eddy Paper	$ 103.1	$ 100.4	$ 119.7	$ 194.3	$ 135.0
Eastern Fine Paper	15.7	16.1	20.4	26.5	23.2
Total Div.	118.9	116.5	140.1	220.8	158.2
Net Profit (mil)					
Eddy Paper	0.4	1.0	9.2	28.9	3.0
Eastern Fine Paper	(0.2)	(0.3)	(0.3)	1.4	0.1
Total Div.	0.2	0.7	8.9	30.3	3.1

In 1975, Eddy Paper Company earned a profit estimated at $3.0 million - a dramatic decline compared with profits of $28.9 million in 1974. This reflects a drop of about 20% in the production of fine paper in the first half of 1975, associated with a slump in demand in the U.S., and a strike at Hull and Espanola that commenced in September, 1975 and ended in February, 1976.

During the nine months ended September 30, 1976, Weston's Forest Products Division reported an operating loss (before interest expense and taxes) of $4.3 million, compared with an estimated profit of $5.0 million in the 1975 period.

Eddy Paper Company earned a relatively low rate of return on its equity capital during most of the period from 1962 to 1974. For example, the average return on shareholders' equity from 1962 through 1972 was only 7.2%. However, return on equity increased significantly in 1973 (17.2%) and in 1974 (39.8%). See Table A9*.

* Table 2, page 25; Table A9, page 152

From 1962 through 1974, Eddy Paper Company Limited achieved the following aggregate results for the shareholders of George Weston Limited:

Eddy Paper Company	(millions) 1962-1974	
Sales	$ 1026.0	
Profit from Operations	63.3	
Extraordinary Items	20.4	
Total Profit	83.7	
Cash Flow	141.6	
Dividends to Weston	48.7	(1)
Capital Expenditures	77.0	

Note - (1) Aggregate dividends were only $18.7 million prior to 1974 and $30.0million in 1974.

In 1962, George Weston Limited recorded its investment in Eddy Paper Company at its book value, which was $26.6 million. The aggregate earnings of $83.7 million and aggregate dividends of $48.7 million from 1962-1974 represent a satisfactory overall return on the investment of $26.6 million.

In 1976, The E.B. Eddy Company and Eddy Forest Products Limited were merged to form E. B. Eddy Forest Products Limited.

In January, 1977, Eddy announced the sale of its Appleford Flexible Packaging Division to Dominion Packaging, a subsidiary of Moore Corporation.

BRITISH COLUMBIA PACKERS LIMITED

Acquisition of 82% of the Common Equity of British Columbia Packers Limited by George Weston Limited

British Columbia Packers Limited ("BCP"), based in Vancouver, is Canada's largest processor of fish products. The Company's major facilities are located in British Columbia, and include a large processing, freezing and storage plant at Steveston, B.C. and a salmon cannery at Namu. The Company also operates a salmon cannery at Nalenele, Bristol Bay, Alaska. BCP owns over 70 boats on the Pacific Coast which are used to catch salmon and herring. On the Atlantic coast, BCP operates a plant at Harbour Breton, Nfld. for the production of herring meal and oil, and other plants at Isle aux Monts, Nfld., Clark's Harbour, N.S., Lower East Pubnico, N.S., and Gaspe, P.Q. In the United States, BCP has a wholly-owned subsidiary called Rupert's Certi-Fresh Foods, Inc., based in Seattle, Washington. Plants are operated at Sante Fe Springs, California, Chicago Illinois, Brownsville, Texas and Port Lavaca, Texas. Subsidiaries in the U.S. include Coast Oyster Company, Seattle, and Sea Breeze, Inc., a Texas company engaged in the processing and marketing of frozen shrimp for the U.S. market. Well-known brands of BCP include "Clover Leaf", "Rupert Brand", and "Paramount" in Canada and "Rupert's Certi-Fresh Foods" in the U.S.

BCP also owns 33-1/3% of United Oilseed Products Limited, in partnership with United Grain Growers Limited and Mitsubishi Canada Limited. This company operates a rapeseed crushing mill in Lloydminster, Alberta which was built in 1975 at a cost of $9.0 million.

BCP was incorporated under the laws of Canada on May 18, 1929 to acquire the shares of the British Columbia Fishing and Packing Company Ltd., The Gosse Packing Company, Ltd. and the Millerd Packing Company, Ltd. Investments in the U.S. subsidiaries were made in 1944, 1954 and 1956. In 1960, BCP purchased Nelson Bros. Fisheries Ltd. in B.C., which produces the "Paramount" brand of salmon products.

For the fiscal year ended March 31, 1962, BCP reported sales of $52.0 million and a net profit of $1,067,000, including a $105,000 gain on the sale of assets. E.P.S. were $1.83. The capitalization of BCP on March 31, 1962 was as follows:

Shareholders' Equity	
Issued Shares	
88,517 class A shares)	$ 3,982,000
494,599 class B shares)	
583,116	
Retained Earnings	13,488,292
	17,470,292
Book Value per Share	$ 29.96

The class A shares are entitled to a fixed cumulative dividend of $0.75 per year and are convertible into an equal number of class B voting shares.

George Weston Limited acquired voting control of British Columbia Packers during the course of 1959. This acquisition was not publicly announced until December 1966. However, the financial results of BCP were included in the consolidated accounts of George Weston Limited in 1962.

The exact details concerning the acquisition of control of BCP by Weston's, and the method of payments, have never been publicly disclosed. However, Weston's must have owned at least 300,000 class B shares of BCP at the end of 1962. During the period from 1960 through 1962, the class B shares of BCP traded in the range of $16.50 to $14.00 on the Toronto Stock Exchange. Assuming a $20.00 purchase price, it is estimated that Weston's acquired 300,000 class B voting shares (51.4% equity interest) of BCP for about $6.0 million.

Information is not available concerning the names of the vendors of the control block of BCP. However, this group likely included Mr. H.R. McMillan, who was President from 1933 to 1946, and Mr. J.M. Buchanan, who was President from 1946 to 1956, and from 1958 to 1964. Our understanding is that the controlling shareholders were anxious to sell their holdings of BCP in 1959. The decision to sell to Weston's was likely influenced by the fact that Weston/Loblaw was the largest customer of BCP, both in Canada and in the U.K. Weston's probably paid a premium over the $16.50 maximum price at which the class B shares were trading on the Stock Exchange.

Weston's controlling interest in BCP was held through Megargy Investments Limited, a wholly-owned subsidiary. In December, 1966, Megargy reported in an article in the Financial Post that it owned 69% of the combined class A and B shares of BCP, indicating an investment of about 410,300 class B shares. In June, 1967, Megargy owned 418,504 class B shares.

No details are available concerning the methods by which Megargy increased its holding in BCP from a minimum of 300,000 class B shares in 1962 to 418,504 class B shares in June, 1967. It is possible that Megargy purchased more than 50.5% of the shares in private transactions in 1962. Alternatively, the balance of the shares may have been acquired on the open market between 1962 and 1967.

Since 1967, Megargy has acquired additional class B shares of BCP on the open market, which have been reported in the OSC Insider Trading Reports. Megargy's entire holding of BCP Class B shares at selected dates was as follows:

December 31	No. of Class B Shares
1968	426,334
1969	390,174
1970	395,207
1971	432,909
1972	454,909
1973	454,909
1974	486,159

The reduction in the investment in BCP in 1969 reflected the sale of 45,000 class B shares to Richard I. Nelson and associates. Mr. Nelson, whose family founded Nelson Bros. Fisheries Limited, was appointed President and Chief Executive Officer of BCP in January, 1969. On the same date, Mr. C.E. Creber was appointed Chairman of BCP. Mr. Creber was the President and Managing Director of George Weston Limited. Prior to 1969, the Chairmanship of BCP was held by residents of B.C.

At the end of 1974, George Weston Limited (through Megargy) owned 486,159 class B shares of BCP, equivalent to an equity interest of 81.76%. Assuming an average purchase price of $20.50 per share the cost of BCP on Weston's books would be about $10.0 million.

The past earnings history of B.C. Packers from 1965 through 1975 is set out in Table A8.* Sales increased from $66.1 million in 1965 to $161.7 million in 1974. Net profit increased from $1.1 million in 1965 to $3.0 million in 1972 and then surged to $9.3 million in 1973. The boom in 1973 reflected an increase of over 40% in world salmon prices, due to a drop in world production, particularly in Alaska, and sharply higher prices for other protein foods such as meat. In 1974, meat prices declined, and the demand for seafoods dropped sharply. BCP was caught in a classic squeeze in 1974, between falling demand and escalating costs for fishermen's wages. Net profit of BCP declined from $9.3 million in 1973 to $1.6 million in 1974. In 1975, the salmon fishermen went on strike for 13 weeks at the height of the fishing season. Over half the salmon catch was lost in 1975. As a result, BCP reported a net profit of only $0.1 million for 1975. See Table A8.*

The table below highlights the production of canned salmon in B.C. each year from 1969 through 1974.

CANNED SALMON PACK IN BRITISH COLUMBIA
(000 cases, 48 lbs.)

Species	1969	1970	1971	1972	1973	1974	1975
Sockeye	360	396	569	313	643	708	
Pink	154	661	502	485	355	307	
Coho	56	112	216	84	115	157	
Chum	47	242	99	278	423	231	
Spring	5	10	12	12	11	20	
Other	2	3	6	1	3	4	
All Species	624	1,424	1,404	1,173	1,550	1,427	509

Source: Environment Canada Fisheries

Production of salmon increased by 128% in 1970, remained level in 1971, declined by 16.5% in 1972, increased by 32% in 1973 and declined by 82% in 1974. These volatile swings in production reflect the erratic pattern of salmon landings in B.C. from year to year. It means that BCP must operate from time to time with very high inventories, when production increases faster than sales. At the end of 1973, inventories of BCP were $61.6 million, equal to 40% of annual sales.

* Table A8, page 151

BCP finances its inventories and accounts receivable with current bank loans and money market borrowings, which were $52 million at the end of 1974. Because of the large amounts of capital employed in the business, and the cyclical nature of the business, BCP's return on equity has historically been quite low. This ratio ranged from 2.4% to 8.4% from 1965 to 1971, and increased to 10.9% in 1972 and to 28.8% in the boom year of 1973. The ratio declined to 4.3% in 1974 and to 0.1% in 1975.

The aggregate contribution of British Columbia Packers to the consolidated results of George Weston Limited from 1962 through 1974 is summarized in the table below:

	(million) 1962-1974	
Aggregate Sales	$ 1,204.0	
Total Profit	27.0	(2.24% of sales)
Est. Minority Interest	7.3	
Earned for Weston (est.)	19.7	
Cash Flow	56.4	
Dividends (incl. Min. Interest)	9.3	
Capital Expenditures	45.7	

The above aggregate results should be viewed against Weston's estimated investment of $10.0 million for 81.8% of BCP. Weston received relatively little in the way of dividends from BCP from 1962 to 1974 (about $6.0 million) and BCP earned a relatively low rate of return, both on total capital employed (including bank loans) and on shareholders' equity.

SOMERVILLE INDUSTRIES LIMITED

Acquisition of 100% of the Common Shares by George Weston Limited

Somerville Industries Limited, ("SIL"), based in London, Ontario, is principally engaged in the manufacture and distribution of a wide range of paperboard and plastic packaging products. Other divisions manufacture automotive trim components, games and puzzles.

Packaging

Somerville's packaging business was established in 1886. Principal products include "Pure-Pak" plastic coated paperboard containers for milk and dairy products, cigarette packages, "Unipak" beer cartons, "Durabox" shoe cartons, and a wide range of lithographed and printed folding cartons, display containers and flexible packaging.

Automotive Products

Somerville manufactures automotive interior trim parts such as door panels and dash liners, made from fibreboard and other materials. Automotive components are also made from compression and injection moulded plastic.

Other Products

Somerville has for many years produced a variety of well-known games, toys and puzzles under its own name and under licence. Other products include a line of plastic products including cups, dishes and cutlery and disposables for hospital and laboratory use.

Somerville owns 50% of Mastico Industries Limited which manufactures sound-deadening materials for use in the automotive industry.

Facilities	Products	(sq. ft.) Area
London	Pure-Pak containers, folding cartons, games and puzzles	325,000
Montreal	Pure-Pak containers, folding cartons	224,000
Toronto	Folding cartons	170,000
Toronto	Automotive components, hardboard and compression moulded plastic products	112,000
Windsor	Automotive interior trim parts	93,000
Bramalea	Injection moulded and vacuum formed plastic products	66,000
Winnipeg	Pure-Pak containers	22,000
Toronto	Point of purchase display material	20,000
		1,032,000

SIL was incorporated under the laws of Canada on March 21, 1921. On January 7, 1939, SIL was converted into a private company. On July 18, 1944, SIL was converted to a public company.

In 1944, Mr. W. Garfield Weston purchased a controlling interest in SIL. Mr. Weston acquired SIL because he expected the demand for packaged paper products to increase significantly in the post-war period. Sales to Weston/Loblaw companies account for roughly 15% of SIL's annual sales.

On June 30, 1953, SIL purchased the business of Consolidated Lithograph Manufacturing Company Limited for $2,342,600. This business is now operated as a division of SIL under the name "Consolidated Lithograph Division". SIL financed this acquisition by an issue of 40,000 $2.80 preferred shares with a par value of $50.00, which raised $2,000,000.

In calendar 1956, sales of SIL were $17.0 million. Net profit was $598,000 after deducting deferred taxes of $60,000. Earnings for common shareholders were $492,000, after deducting preferred dividends of $106,000. On February 28, 1957, the capitalization of SIL was as follows:

Shareholders' Equity		
Issued Capital		
38,700 $2.80 Preferred Shares	$ 1,935,000	
356,300 Common Shares	356,300	
Appraisal Surplus	2,843,925	
Retained Earnings	2,453,284	(1)
	$ 7,588,509	
Book Value Per Common Share	$ 15.87	

Note: (1) Excludes a provision of $208,000 for deferred taxes.

In November, 1957 George Weston Limited acquired 100% of the common shares of SIL from Mr. W. Garfield Weston for $6,352,829 ($17.83 per share). The purchase price was slightly higher than the book value of the common equity, which was about $5.8 million at the end of 1957.

Weston's financed its investment in SIL from the proceeds of an issue of 80,000 Cumulative Redeemable 6% Preferred Shares, $100 par value, which was completed on September 19, 1957. This issue raised $8.0 million.

The results of SIL were included in the consolidated accounts of Weston's for the first time, commencing in 1958. Sales of SIL were $19.5 million in 1958. Net profit was $747,000, after deducting deferred taxes of $59,000. Weston's share in the earnings of SIL was $641,000 in 1968, after deducting $106,000 for preferred dividends at the SIL level. However, against the figure of $641,000, one should deduct $381,000, which is 79.4% of the annual dividend on Weston's issue of 6% Preferred Shares. Therefore, the net contribution of SIL in 1968 to Weston's consolidated earnings for common shareholders was $260,000.

Table A10* sets out the sales and earnings history of SIL from 1965 through 1974. Sales of SIL increased from \$34.5 million in 1965 to \$61.6 million in 1974. Net profit increased from \$1.3 million in 1965 to \$2.8 million in 1974. Return on equity ranged from 10.2% to 19.1% and averaged 13.4%. In 1975, the net profit of SIL declined to \$1.8 million. This reflects a lengthy strike at the Company's plants in London, Ontario.

The aggregate contribution of Somerville Industries to the consolidated results of Weston's from 1958 through 1974 is summarized in the table below:

	1958–1974
Aggregate Sales (millions)	\$ 632.9
Aggregate Profit	25.1
Preferred Dividends	1.6
Earned for Weston	23.5
Dividend on Weston Preferred	6.5
Net Contribution to Weston	17.0
Cash Flow - SIL	42.0
Capital Expenditures	18.0

The net profit contribution of \$17.0 million represents an excellent return on the investment of \$6.4 million made by Weston's in SIL in 1957.

In December, 1976, Weston's announced the sale of SIL to Belkin Packaging Ltd., an affiliate of B.C. Sugar Refinery Ltd. The sale of SIL tends to confirm the opinion of the writer that Weston's future emphasis will be on the manufacture and distribution of food products.

* Page 153

LOBLAW COMPANIES LIMITED

Acquisition of 87.1% of the Common Equity by George Weston Limited

Loblaw Companies Limited ("LCL") based in Toronto, was incorporated as a holding and investment company on January 18, 1956. The original purpose of LCL was to acquire control of Loblaw Groceterias Co., Limited. This was accomplished through a share exchange in early 1956. (See separate discussion on Loblaw Groceterias Co., Limited*).

On June 2, 1956, LCL owned 425,987 Second Preference (Class A) Shares and 488,040 Common (Class B) Shares of Groceterias, representing 95.7% and 96.0% respectively of the outstanding amounts of such shares.

The capitalization of LCL on June 2, 1956 is set out below:

Shareholders' Equity	
Issued Capital	
425,987 $2.40 Preferred shares	$ 21,299,350
170,395 Class A shares 1,952,167 Class B shares	14,264,708
Retained Earnings	831,514
	$ 36,395,572
Book Value per A & B Share	$ 7.11

George Weston Limited ("GWL") exchanged its holding of 248,805 Common (Class B) shares of Groceterias for 995,222 Class B voting shares of LCL, carried on its books at a cost of $7,160,985 ($7.20 per share). By setting up LCL as a holding company, with both preferred and common shares, GWL effectively increased its ownership of the common equity of Groceterias from 26.1% to 50.5%. "Gearing" was established through the issuance of $22.0 million of $2.40 Preferred Shares, $50.00 par value, by LCL in exchange for the Class A (Second Preference) shares of Groceterias. The annual preferred dividend payable by LCL on the $2.40 preferred shares was $1,055,000.

During the period from 1956 to 1975, LCL functioned principally as a holding company, whose sole asset consisted of the shareholding (99% equity interest) in Loblaw Groceterias Co. Ltd. In other sections of this report* we describe how Groceterias acquired a large number of other companies from 1953 to 1975, representing an aggregate net investment of $258 million. This entire activity was controlled by George Weston Limited after 1956, by virtue of GWL's ownership of 50.5% of the class B voting shares of LCL, acquired at a cost of $7.2 million.

On October 12, 1961, Loblaw Companies Limited split its class A and class B shares on the basis of four (new) shares for one (old) share. Adjusted for the stock split, Weston's holding of LCL consisted of 3,980,888 class B shares on December 31, 1956 (50.5% voting interest, 46.4% equity interest).

* Page 103

From 1956 to 1974, Weston acquired 1,579,000 class A and 1,575,000 class B shares of LCL on the open market. On December 31, 1974, Weston owned a total of 7,135,000 class A and B shares of LCL, at an estimated cost of $33.0 million ($4.62 per share).

The details concerning this acquisition programme from 1956 to 1976 are set out in Table 21 on page 100.

Although Weston owned 50.5% of the class B voting shares of LCL in 1956, Weston did not acquire 50% of the total equity (A & B shares) of LCL until 1971.

The sales and earnings of LCL were not consolidated in the accounts of George Weston Limited until 1974. Prior to 1974, GWL carried LCL as an investment on its balance sheet, and reported each year the dividends received from LCL and its subsidiaries.

In 1963, Weston invested $10.1 million in the 5% Preferred Shares of D.F.C., Inc., a wholly-owned subsidiary of Loblaw. This was done to enable Loblaw to acquire over 50% of National Tea Co. in May 1963. (See separate discussion on National Tea Co.*) D.F.C. redeemed the preference shares held by Weston, principally in 1965 and 1969.

In May, 1975, Weston sold its 81.2% interest in Kelly, Douglas and Company Limited to LCL in exchange for 6,676,501 class A and 4,204,370 class B shares of Loblaw Companies.

In October, 1975, Weston sold its 100% interest in Old State Foods, Inc. and its subsidiary Peter J. Schmitt Inc. to LCL in exchange for 786,236 Class A and 786,236 Class B shares of Loblaw Companies.

The sale of Kelly, Douglas and Peter J. Schmitt to LCL was done for two reasons:

1. It was part of a plan to consolidate the ownership of all of Weston's retail and wholesale food subsidiaries under Loblaw Companies.

2. The transactions increased the net worth of Loblaw Companies by over $64 million. This was necessary because LCL's net worth had declined by over $40 million in 1972-1973, due to losses at National Tea, Loblaw Inc., Sayvette and Tamblyn.

The share exchanges between Weston's and Loblaw, involving Kelly, Douglas and Peter J. Schmitt, were based on independent appraisals by Dominion Securities Harris Corporation.

At the end of 1975 Weston's owned 19,589,000 shares of LCL (82.5% equity interest) at an average cost of $4.85 per share. The total investment was $95.0 million. The book value per share of LCL at the end of 1975 was also about $4.85 per share. However, if deferred items and goodwill are excluded, LCL's tangible book value per share was about $3.18.

In December, 1976, Weston's agreed to buy 7,265,000 treasury shares of LCL for $29.1 million ($4.00 per share), increasing its ownership in LCL to 87.1%.

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Table 21

LOBLAW COMPANIES LIMITED

Ownership of Class A and Class B Shares
by George Weston Limited at Selected Dates

	No. of Shares (000) -- Owned by George Weston --			(000) Weston's	-- % Ownership --		Loblaw Companies Limited -- Total Shares o/s (000) --		
December 31	Class A	Class B	Total	Cost	Class B	Total	Class A	Class B	Total
1956	-	3,981	3,981	$ 7,161	50.5%	46.4%	692	7,883	8,575
1957	2	4,000	4,002	7,316	50.7	46.7	692	7,883	8,575
1958	2	4,000	4,002	7,316	50.6	46.4	718	7,912	8,630
1959							1,196	7,920	9,116
1960							1,331	7,946	9,277
1961							1,693	7,960	9,653
1962	5	4,380	4,385	10,853	55.0	44.9	1,805	7,962	9,767
1963	5	4,436	4,441	11,397	55.7	42.6	2,472	7,964	10,436
1964	92	4,604	4,696	13,673	57.8	42.7	3,042	7,964	11,006
1965	697	4,659	5,338	20,274	58.5	48.2	3,111	7,964	11,075
1966	860	4,693	5,553	22,481	58.9	49.9	3,170	7,965	11,135
1967	880	4,693	5,573	22,951	58.9	49.4	3,323	7,965	11,288
1968	866	4,707	5,573	22,950	59.1	49.4	3,323	7,965	11,288
1969	866	4,707	5,573	22,950	59.1	49.4	3,323	7,965	11,288
1970	929	4,707	5,633	23,781	59.1	49.9	3,323	7,965	11,288
1971	977	4,803	5,780	24,064	60.3	51.2	3,323	7,965	11,288
1972	1,165	5,066	6,231	27,279	63.6	55.2	3,323	7,965	11,288
1973	1,415	5,392	6,807	31,065	67.7	60.3	3,323	7,965	11,288
1974	1,579	5,556	7,135	33,000E	69.8	63.2	3,323	7,965	11,288
1975 - May	8,256	9,760	18,016	87,200E	80.2	81.3	10,000	12,169	22,169
1975 - Dec.	9,042	10,547	19,589	95,000E	81.4	82.5	10,786	12,741	23,741
1976 - Dec.	9,448	11,069	20,517	98,700E	82.4	83.2	11,195	13,441	24,636
1977 - May	13,253	14,529	27,782	127,800E	86.0	87.1	15,000	16,900	31,900

Note:

- The data in this table concerning the number of shares of Loblaw Companies owned by George Weston at selected dates is based on comments in the annual reports of Weston's, insider reports filed with the Ontario Securities Commission and information revealed by Weston's at the time of various public issues of securities. All data on the number of Loblaw shares outstanding is adjusted for a 4-for-1 stock split on October 12, 1961.
- The increase in outstanding class A shares of Loblaw Companies from 1956 through 1967 reflects the conversion of 4.75% Sinking Fund Debentures Series D, of which $12.0 million was issued by Loblaw Groceterias Co., Limited in October, 1956.
- In May, 1975, George Weston Limited sold 4,061,958 Class A and 1,074,641 Class B shares of Kelly, Douglas & Company, Limited to Loblaw Companies Limited in exchange for 6,676,501 Class A and 4,204,370 Class B shares of Loblaw Companies.
- In October, 1975, George Weston Limited sold 100% of Old State Foods, Inc. and its subsidiary Peter J. Schmitt Inc. to Loblaw Companies Limited in exchange for 786,236 Class A and 786,236 Class B shares of Loblaw Companies Limited.
- During 1976, George Weston acquired an additional 928,000 shares of Loblaw by accepting stock dividends in lieu of cash.
- In December, 1976 George Weston Limited agreed to buy 3,804,852 Class A and 3,459,522 Class B shares of Loblaw Companies Limited for $29.1 million ($4.00 per share), subject to approval by shareholders at the annual meeting to be held in May, 1977.

The earnings per share of Loblaw Companies were $(0.05) in 1975. However, the E.P.S. of Loblaw Companies could potentially increase to the range of $0.50 to $1.00 during the 1977-1980 period, depending on the results of key subsidiaries such as National Tea Co. and Loblaw Inc. In 1975, National Tea and Loblaw Inc. incurred pre-tax losses estimated at $6.5 million and $3.5 million respectively. LCL has an aggregate investment in the two subsidiaries of $179 million, most of which is financed with bank loans, plus outstanding issues of debentures and preferred shares. The profit trends at National Tea and Loblaw Inc. will be the most important factors affecting both the total earnings and the balance sheet strength of Weston's and Loblaw Companies during 1977.

The aggregate results of Loblaw Companies Limited from 1956 to 1974 are summarized in the table below:

	(millions) 1956-1974	
Aggregate Sales	$ 35,904.0	(BFL Estimate)
Profit bef. Minority Interest	217.5	(0.61% of Sales)
Deferred Taxes	7.1	
Minority Interest	96.2	
Profit-Fully Taxed	114.2	
Extraordinary Items	10.1	
Total Earnings	124.3	
Dividends Paid		
On Preferred Shares	19.7	
On Common-Weston's	28.3	
On Common-Others	26.0	
Total Dividends	74.0	(60% payout)

Weston's average investment in Loblaw each year from 1956 to 1974 was about $17.7 million. Weston's share of the aggregate earnings of Loblaw from 1956 to 1974 was about 45% or $47.0 million. Of this amount, Weston's received $28.3 million in dividends (60.5% payout) and $18.7 million was retained by Loblaw.

In the opinion of the writer, the Loblaw dividend was excessive during the entire period from 1956 to 1975, and particularly during the period from 1968 to 1975. Tables 3 and A12* show that Loblaw's return on sales and invested capital declined consistently from 1956 to 1974. The decline reflects intensified competition, both in Canada and the U.S., weaknesses in senior management, and the Company's failure to spend sufficient monies on the refurbishing of its existing supermarkets and the opening of new ones. The low level of capital spending in turn reflected the policy of paying high dividends and the fact that large amounts were required annually to retire funded debt associated with the $258 million acquisition programme of Loblaw Groceterias.

In the period from 1968 to 1974, it was necessary for George Weston Limited and its parent and associated companies to extend financial assistance to Loblaw in the aggregate amount of $164.6 million. Basically, Loblaw sold real estate assets to its affiliates for $103.5 million and sold subsidiaries valued at $61.1 million. From the point of view of an outside shareholder in Loblaw, it might have been better to omit the Loblaw dividend after 1968, rather than "sell the farm" to pay dividends that were not earned. Loblaw suspended dividends in 1976.

* Table 3, page 31; Table A12, page 155

Table 22.

LOBLAW COMPANIES LIMITED

Balance Sheet - Main Items

(millions)

ASSETS	Jun.2 1956	Pro Forma Dec.28 1974	Jan.3 1976
Current Assets			
Cash and Securities	$16.8	$48.7	$21.6
Accounts Receivable	0.5	67.3	80.5
Inventories	16.4	330.4	320.5
Prepaid & Other	0.6	18.0	21.1
	34.3	464.4	443.7
Investments & Other Assets			
National Tea Co.(27% interest)	34.4	-	-
Loblaw Inc.(55% interest)	7.8	-	-
Loblaw Leased Properties 5% Pfd.	4.3	-	-
Mortgages & Notes Receivable	0.7	12.6	14.4
Deferred Items & Intangibles	0.8	38.0	28.5
	48.0	50.6	42.9
Fixed Assets			
Land, Bldgs. & Equipment	50.5	450.8	471.8
less Accumulated Depreciation	14.8	206.8	227.7
	35.7	244.0	244.1
	$118.0	$759.0	$730.7
LIABILITIES			
Current Liabilities			
Bank Loans & Notes Payable	$ -	$54.8	$92.1
Accounts Payable	15.5	260.6	257.0
Other Liabilities	3.3	52.5	22.8
	18.8	367.9	371.9
Funded Debt			
Bank Loans	-	72.9	87.8
Debentures, Mortgages	38.6	55.8	47.6
	38.6	128.7	135.4
Other Liabilities	-	5.8	6.5
Deferred Items	3.1	30.6	28.1
Minority Interest	21.5	93.6	62.9
SHAREHOLDERS' EQUITY			
Issued Capital			
439,652 $2.40 Pfd. Shs.$50	21.3	22.0	22.0
10,786,236 Cl.A Shs.(681,580) 12,955,290 Cl.B Shs.(7,806,668)	(14.3 (	(87.5 (	(95.4 (
Retained Earnings	0.4	22.9	8.5
	36.0	132.4	125.9
	$118.0	$759.0	$730.7

Note:

The pro forma balance sheet in December, 1974 reflects the issuance of 6,676,501 Class A and 4,204,370 Class B shares to Weston in connection with the acquisition of 81% of Kelly, Douglas. In 1975, Loblaw issued 786,236 Class A and 786,236 Class B shares to Weston in exchange for Old State Foods, Inc.

LOBLAW GROCETERIAS CO., LIMITED

Acquisition of 99% of the Common Equity by Loblaw Companies Limited Comments Concerning the Acquisition Programme From 1953 to 1975.

Loblaw Groceterias Co., ("GROCETERIAS") based in Toronto, was incorporated under the laws of Canada in April, 1921, to carry on a business founded by Messrs. T. P. Loblaw and J. Milton Cork in 1919. Groceterias was converted into a public company in 1925, when the company raised $545,000 through the sale of 5,450 7% Preferred Shares at $100.00 per share. There were 144,000 common shares outstanding.

The first Loblaw supermarket opened in Toronto in 1919, at the intersection of Dundas and Keele streets. A second store opened in 1920 and two stores were opened in 1921. For the fiscal year ended in May, 1921, sales were $695,000 and net profit was $17,423.

Groceterias raised $400,000 in 1926, $1.0 million in 1928 and $0.8 million in 1929 through "rights" issues to its common shareholders. In 1929, each common share was split into two class A and two class B shares. Additional class A shares were issued during 1930-1935 following the conversion of preference shares. In 1936, the capitalization of Groceterias consisted of 445,056 class A shares and 383,300 class B voting shares. This capitalization remained unchanged until 1952.

In 1929, T.P. Loblaw and J. Milton Cork had a combined holding of 230,000 class A and 192,000 class B shares of Loblaw Groceterias. Mr. T.P. Loblaw died in 1933. The T.P. Loblaw Estate sold its entire holding in the shares of Groceterias by 1935, including a sale of 93,000 class B shares to a group of U.K. investment trusts at $18.00 per share. Mr. W.S. Arbuckle joined the Board of Directors of Groceterias in 1935 as a representative of the U.K. investment trusts. Mr. F.K. Morrow, a Toronto business associate of T.P. Loblaw, also became a Director in 1935. Mr. J. Milton Cork was appointed President of Groceterias in 1933. He held this post until 1947, when he was appointed Chairman of the Board. Mr. Justin Cork, the son of Milton Cork, was appointed President in 1947.

Sales of Groceterias were $16,553,000 in fiscal 1929 and net profit was $842,000. The Company was consistently profitable during the recession years and World War II with profits ranging from a low of $897,000 in 1935 to a high of $1,264,300 in 1942.

In fiscal 1947, Groceterias operated 113 supermarkets in Ontario. Net profit was $1,218,900, on a sales base of $53.8 million. E.P.S. were $1.47. In December 1947, Mr. G. C. Metcalf joined Groceterias as Vice-President. Mr. Metcalf was appointed General Manager of Groceterias in 1948 and President in 1954, succeeding Justin Cork who was appointed Chairman.

On August 27, 1947, George Weston Limited agreed to buy 111,500 class B shares of Groceterias from J. Milton Cork for $3,623,750 in cash ($32.50 per share), with payment to be spread over a five year period. During 1947, the class B shares of Groceterias traded in the range of $31.50 to $26.75. Weston's completed the acquisition of the 111,500 class B shares in 1952.

In October, 1952, Groceterias issued 25,000 class B shares to Mr. G. C. Metcalf at $25.00 per share, for services rendered. Shortly thereafter, Mr. Metcalf sold these shares to George Weston Limited.

In May, 1953, Groceterias purchased 1,937,340 common shares of Loblaw Inc., based in Buffalo, for $7,749,360. The shares of Loblaw Inc. were acquired from Bansco & Co., a nominee of the Bank of Nova Scotia representing George Weston Limited. Groceterias paid $3,849,360 in cash for the acquisition and issued 100,000 class B treasury shares to Weston's on May 25, 1953. Weston's effectively acquired a block of 100,000 class B shares of Groceterias at a price of $39.00 per share. During 1953, the class B shares of Groceterias traded in the range of $46.50 to $37.00.

In fiscal 1953, Groceterias operated 150 supermarkets in Ontario. Sales were $176.2 million and net profit was $3,930,000. E.P.S. were $4.60, based on 853,356 shares outstanding.

The capitalization of Groceterias on May 31, 1953 is set out below:

Shareholders' Equity	
Issued Capital	
445,056 Class A shares) 508,300 Class B shares)	$ 7,179,422
Retained Earnings	13,336,706
	20,516,128
Book Value per share	$ 21.52

The known holdings of George Weston Limited in 1953 were 236,500 class B shares of Groceterias, equivalent to 24.8% of the combined A & B shares outstanding.

From 1953 to 1956, Weston's acquired an additional 12,305 class B shares of Groceterias on the open market, to bring its holding to 248,805 shares (26.1% of the total equity).

On April 3, 1956, shareholders of Groceterias approved the creation of 1,500,000 first preference shares of $30 par value. In the same month, Groceterias raised $22.3 million through the sale of 665,000 first preference shares, series A, at $33.50 per share. The former class A and class B shares of Groceterias were re-designated as second preference and common shares respectively.

In January, 1956, Loblaw Companies Limited ("LCL") was incorporated as a holding company under the laws of Canada. On February 29, LCL made the following exchange offer to the shareholders of Groceterias:

(1) one $2.40 cumulative redeemable preferred share of LCL, par value $50.00 and 2/5 of a class A non-voting share of LCL in exchange for each second preference share of Groceterias.

(2) four class B voting shares of LCL in exchange for each common share of Groceterias.

On June 2, 1956, LCL reported the ownership of over 96% of the second preference and common shares of Groceterias. The capitalization of LCL on June 2, 1956 is set out below:

Shareholders' Equity	
Issued Capital	
425,987 $2.40 Preferred shares	$ 21,299,350
170,395 Class A shares	(14,264,708
1,952,167 Class B shares	(
Retained Earnings	831,514
	$ 36,395,572
Book Value per A & B share	$ 7.11

George Weston Limited exchanged its holding of 248,805 common shares of Groceterias for 995,222 class B voting shares of LCL. On July 31, 1956, Weston carried the Loblaw investment on its books at a cost of $7,160,985 ($7.20 per share). Weston's holding of 995,222 class B shares of LCL represented a voting interest of 51.0%, and was equal to 46.9% of the combined A & B shares outstanding. By setting up LCL as a holding company, Weston's effectively increased its ownership of the common equity of Groceterias from 26.1% to 51.0%.

Since 1956, LCL has periodically purchased additional second preference and common shares of Groceterias in the open market, raising its ownership of these classes to between 99% and 100% by 1975.

Acquisition programme 1953-1975

Following the appointment of Mr. Metcalf as President in 1954, and the acquisiton of control by Weston's in 1956, Groceterias embarked on a major acquisition programme. These acquisitions were made by Groceterias through three wholly-owned subsidiaries, Dunedin Investments Limited, ("Dunedin") and Food Market Holdings Limited, ("FMH") and D.F.C. Inc. ("DFC"). The details concerning many of these acquisitions were not made public until December, 1966, when full disclosure was made in an article in the Financial Post.

The key dates for the acquisition of subsidiaries by Groceterias are believed to be as follows:

1953 - Groceterias acquired 1,937,340 common shares of Loblaw Inc., Buffalo, from a nominee of Weston's for $7,749,360 ($4.00 per share). (See separate discussion on Loblaw Inc. and Table A17*)

1953 - FMH acquired 100% of Power Supermarkets Limited, Toronto, from Mr. Samuel Weinstein. Mr. Weinstein founded the Power supermarket chain in 1933 with his two sons, Morris and Leon. At its high point in 1970, Power operated 25 supermarkets in Ontario and its discount subsidiary, Busy B, operated 14 stores. Annual sales were close to $70 million. In 1972, the Power

* Loblaw Inc., Page 118; Table A17 page 161

and Busy B stores were either converted into Loblaw stores, or closed. Mr. Leon Weinstein was appointed President of Loblaw Groceterias Co., Limited in June, 1969. He resigned from this post in August, 1970.

1954 - FMH acquired 100% of Pickering Farms Limited, Toronto, a company operating four supermarkets in Toronto.

1955 - FMH acquired 100% of The O. K. Economy Stores Limited, Saskatoon, operating about 40 supermarkets in Saskatchewan. An affiliated company, Shelly Brothers Limited supplies a voluntary group of 100 Shop-Rite stores in Saskatchewan. Sales are about $50 million. This subsidiary was sold to Weston's in 1973.

- FMH purchased about 99% of National Grocers Company Limited, Toronto, a large wholesale food distribution company supplying voluntary groups including Red & White, Super Save, Lucky Dollar and Maple Leaf. Sales of National Grocers were about $80 million in 1955 and were $351 million in 1975. See Table A18*.

- FMH purchased 100% of York Trading Limited, Toronto, a wholesale food distribution company supplying the Carload and Superior voluntary groups in Ontario, as well as the chain of Becker's convenience stores. Sales were about $30 million in 1972. In 1973, York Trading was merged with National Grocers.

1956 - Groceterias acquired 27% of the common shares of National Tea Co., Chicago, at a cost of $34.4 million. The ownership of National Tea was increased to 51.5% in May 1963 and in stages to 84% in December, 1975. (See separate discussion on National Tea and Table A16**.)

1958 - Dunedin acquired 1,074,641 class B shares (44.8% interest) of Kelly, Douglas, & Company, Limited, Vancouver at an estimated cost of $8.4 million. Kelly, Douglas is a large wholesale food distributor in B.C., supplying voluntary groups including Red & White, Shop-East, Lucky Dollar, Associated Stores, United Purity and Affiliated Stores. In addition, Kelly, Douglas supplies the Super Valu chain, which included 41 corporate stores and 46 franchised stores in 1975. Dunedin sold its investment in K-D to Weston's in 1968 and LCL repurchased K-D in a different form in 1975. (See separate discussion on K-D and Table A20***.)

1959 - FMH, through Harbour Investments Ltd., acquired about 95% of the voting shares of Atlantic Wholesalers Limited, based in Sackville, N.B. Atlantic is active throughout the Atlantic provinces as a wholesale food distributor, supplying voluntary groups including Red & White, Lucky Dollar and Save-Easy. About 23 Save-Easy stores were company owned in 1975. Sales of Atlantic were $35 million in 1960 and $164 million in 1975. (See Table A19****).

1963 - Dunedin acquired 95% of Zehr's Markets Limited, Kitchener, Ontario. Zehr's operates a chain of 27 supermarkets in the Kitchener-Guelph area of southwestern Ontario. Sales increased from $8.8 million in 1963 to about $100 million in 1975.

* Page 162 ** Pages 109 and 160 *** Pages 121 and 164 **** Page 163

- Dunedin acquired 100% of Federal Distributors Ltd. and its 78.9% owned subsidiary, Federal Farms Limited. This company operated a fresh produce packaging plant in the Holland Marsh area north of Toronto. Sales were $5 to $6 million per annum. This subsidiary was marginally profitable and was sold in 1969.

1964 - Dunedin acquired 99.8% of Donlands Dairy Limited, Toronto. Donlands produces fluid milk and other dairy products, primarily for the Loblaw supermarket chain. Sales of Donlands were $7.0 million in 1963 and net profit was $166,000. This subsidiary was sold to Weston's in 1973.

1965 - Dunedin Investments acquired 51.7% of G. Tamblyn Limited, Toronto. Tamblyn operates a chain of 100 drugstores in Ontario. Sales increased from $25.5 million in 1965 to $73.7 million in 1974. Losses were sustained by Tamblyn in 1973 and 1974. At the end of 1974, Tamblyn sold its drugstores in western Canada to Kelly, Douglas & Company, as part of a planned programme to restore profitability. See Table A23*.

1965 - Loblaw Inc. acquired Better Foods Inc., a company operating 12 supermarkets in Los Angeles. Sales were about $25 million in 1965 and $35 million in 1974.

1969 - Groceterias acquired voting control of Sayvette Limited, Toronto, a company operating a chain of junior department stores in Ontario. Sales of Sayvette were $30 million in 1969 and net profit was $239,000. During the period 1972-1975, Sayvette incurred aggregate losses of $12.6 million. (See separate discussion on Sayvette and Table A24**).

1974 - Loblaw Inc. acquired Louis Stores, Inc., a supermarket chain with 23 stores, based in San Francisco. Sales were about $35 million in 1974.

Prior to 1956, Loblaw Groceterias' own supermarket operations were confined to Ontario. In 1956, Mr. Metcalf announced that Groceterias planned to open 32 supermarkets in western Canada. Five stores were opened in 1958, and 28 stores were in operation in 1961, along with 210 stores in Ontario. The number of stores in the Loblaw West Division reached a peak of 36 in 1967. The Loblaw West Division was not profitable and the number of stores was reduced to 24 in 1972. In 1973, Loblaw West was sold to Westfair Foods Limited, a wholly-owned subsidiary of Kelly, Douglas & Company Limited.

In 1962, Groceterias incorporated a subsidiary in Ontario called Super City Discount Foods, which opened 17 high volume supermarkets. The Super City stores were converted into Loblaw Supermarkets in 1972.

Table 19*** summarizes the acquisition programme of Loblaw Groceterias Co., Limited from 1953 through 1975. The details concerning the purchase price for several subsidiaries have never been made public. However, we estimate that Groceterias spent about 309.5 million to acquire the above-mentioned subsidiaries. After deducting $51.5 million for disposals, the net cost of the acquisition programme is estimated at $258.0 million.

In 1973, the name of Loblaw Groceterias Co., Limited was changed to Loblaws Limited.

* Page 167 ** Pages 127 and 168 *** Page 84

Table 23

LOBLAWS LIMITED
(formerly LOBLAW GROCETERIAS CO., LIMITED

Statement of Sales and Earnings

Year to May 31	(mil.) Cdn. Retail Sales	(000) Net Profit(1)	E.P.S.	No. of Loblaw Stores	----- No. of Shares o/s ------ Common(2)	Class A	Class B
1920	$ 0.2	$ 14		2	576,000	-	-
1921	0.7	17		4	576,000	-	-
1922	1.8	67		8	576,000	-	-
1923	3.1	125		12	576,000	-	-
1924	5.1	212		20	576,000	-	-
1925	6.1	275		29	576,000	-	-
1926	7.7	395		40	632,000	-	-
1927	10.5	578	$0.76	49	696,936	-	-
1928	14.0	727	0.89	65	766,600	-	-
1929	16.6	842	1.05	80	-	383,300	383,300
1930	18.4	1,088	1.28	95	-	467,541	383,300
1931	17.0	1,085	1.27	99		467,541	383,300
1932	15.1	1,041	1.23	104		462,666	383,300
1933	14.2	988	1.18	107		454,726	383,300
1934	14.8	927	1.12	111		447,331	383,300
1935	15.5	897	1.08	110		447,331	383,300
1936	16.3	917	1.11	111		445,056	383,300
1937	19.1	1,101	1.33	112		445,056	383,300
1938	22.1	1,175	1.42	114		445,056	383,300
1939	23.1	1,233	1.49	113		445,056	383,300
1940	28.7	1,362	1.64	114		445,056	383,300
1941	35.3	1,199	1.45	113		445,056	383,300
1942	43.0	1,264	1.53	114		445,056	383,300
1943	39.4	1,032	1.24	113		445,056	383,300
1944	41.7	1,045	1.26	113		445,056	383,300
1945	45.7	1,081	1.31	113		445,056	383,300
1946	48.1	1,097	1.33	113		445,056	383,300
1947	53.8	1,219	1.47	113		445,056	383,300
1948	73.2	1,510	1.82	118		445,056	383,300
1949	87.0	1,861	2.25	119		445,056	383,300
1950	101.0	2,186	2.64	127		445,056	383,300
1951	126.0	2,596	3.13	136		445,056	383,300
1952	157.5	3,182	3.84	148		445,056	383,300
1953	176.2	3,930	4.60	150		445,056	508,300
1954	203.2	4,439	4.66	159		445,056	508,300
1955	229.2	5,004	5.25	171		445,056	508,300
1956	255.7	5,668	5.86	182		445,056	508,300
1957	285.0	8,016(3)	7.36	188		445,056	508,300
1958	325.3	8,804	8.19	209		445,056	508,300
1959	372.0	9,383	8.39	229		445,056	508,300
1960	431.6	10,045	8.96	233		445,056	508,300
1961	471.0	10,708	9.67	238		445,056	508,300
1962	497.9	11,085	10.07	238		445,056	508,300
1963	521.8	13,028	12.12	230		445,056	508,300
1964	551.6	14,203	13.37	233		445,056	508,300
1965	580.4	16,010	15.27	237		445,056	508,300
1966	612.9	16,124	15.40	238		445,056	508,300
Fully Consolidated							
1965	2,187.0	16,010	15.27			445,056	508,300
1966	2,330.0	16,124	15.40			445,056	508,300
1967	2,399.1	15,116	14.36			445,056	508,300
1968 Mar.	2,012.7	9,057	8.39			445,056	508,300
1969	2,452.6	9,926	8.95			445,056	508,300
1970	2,525.1	9,967	9.02			445,056	508,300
1971	2,582.1	6,037	4.92			445,056	508,300
1972	2,592.7	3,564	2.34			445,056	508,300
1973	2,560.3	(15,226)	(17.34)			445,056	508,300
1973 Dec.	2,096.1	(14,315)	(16.03)			445,056	508,300
1974	3,038.0	1,856	0.59			445,056	508,300
1975	3,298.0	(4,245)	(5.81)			445,056	508,300

Notes:
(1) Data is for pre-tax profit from 1920 to 1926.
(2) The number of common shares is adjusted for the following stock splits: 20-for-1 in 1925; 2-for-1 in 1926; and 4-for-1 (into 2 Class A and 2 Class B) in 1929.
(3) Loblaw Inc. was fully consolidated, commencing in 1957.
(4) Profits include extraordinary items.

NATIONAL TEA CO.

Acquisition of 84% of the Common Shares of National Tea Co. by Loblaw Companies Limited

National Tea Co., based in Chicago, is currently the eleventh largest supermarket company in the United States. Sales in 1975 were U.S. $1,472 million. Sales of the largest companies in 1975 were as follows:

Safeway	$ 9,717 million	Jewel Companies	$ 2,818 million
A & P	6,538	Food Fair	2,483
Kroger	5,339	Grand Union	1,611
American Stores	3,207	Supermarkets Gen.	1,550
Lucky Stores	3,109	National Tea	1,472
Winn-Dixie	2,962	Fisher Foods	1,380

At the end of 1975, National Tea operated about 451 supermarkets in a geographic area stretching from Chicago west to Denver, and south to New Orleans. There were seven divisions, as set out below:

		- Market Share -	
Division	Approx. No. of Stores	National Tea	Largest Competitor
Chicago	180	13%	32%
Indianapolis	59	18	28
Minneapolis	53	5	20
St. Louis	49	10	18
New Orleans	58	10	30
Denver	33	8	38
Davenport	19	11	47
	451		

The origins of National Tea date back to 1899,when the first "National Tea Store" was opened in Chicago.

By calendar 1956, sales of National Tea Co. were U.S. $617.6 million and net profit was $7.0 million. E.P.S. were $1.10, based on 6,362,142 common shares outstanding. Net worth was $56.3 million, equal to $8.85 per common share outstanding. There were 761 supermarkets in operation.

Loblaw Groceterias Co., Limited purchased approximately 1,725,000 common shares of National Tea in January, 1956 at a cost of $34.4 million ($20.00 per share). The shares were equivalent to a 27% interest in National Tea, and were purchased from two individuals:

- Mr. John F. Cuneo, President of the Cuneo Press, Inc. and an active Director of National Tea Co.
- Mr. Rasmussen, a founder of the Company.

Loblaw Groceterias, through an associated company based in Buffalo, had previously opened 77 supermarkets in Chicago from 1928 to 1932. The U.S. business suffered during the recession, and the Chicago stores were sold to the Jewel Tea Company in 1932. During the 1950's Loblaw tried to buy a controlling interest in both Jewel Tea Company and Safeway Stores. The initial 27% investment in National Tea was made in 1956 when it appeared that control of Jewel and Safeway was not available.

Between 1956 and 1962, Loblaw Groceterias purchased additional shares of National Tea on the open market. On June 2, 1962, Loblaw owned 2,456,049 million shares of National Tea, at a cost of $46.2 million ($18.82 per share). The open market purchases increased Loblaw's ownership of National Tea to 34.4% by June, 1962. The $46.2 million investment in National Tea was financed approximately as follows:

Security	Year Issued	(mil.) Amount
Loblaw Groceterias Series A Pfd.	1956	$20.0
Loblaw Groceterias 4 3/4% Deb. Ser. D.	1957	12.0
Loblaw Groceterias 6% Deb. Ser. E.	1958	8.0
Cash Flow	1956-61	6.2
		46.2

In early 1962, Loblaw Inc. (a 60.8% owned subsidiary of Loblaw Groceterias based in Buffalo) agreed to sell its Youngstown-Pittsburgh Division to National Tea Co. for $23.0 million. The Division consisted of 115 supermarkets and warehouse facilities in the Youngstown and Pittsburgh areas of Ohio and Pennsylvania. Annual sales of the Division were about $110 million. The Division operated at a loss during 1962. The purchase price was based on the book value and the replacement cost of the assets involved.

National Tea financed the acquisition of the Youngstown-Pittsburgh Division by the issuance to Loblaw Inc. of a 3% $23.0 million promissory note due September 1, 1977, payable prior to maturity by the issuance of 1,362,963 common shares of National Tea. On December 14, 1962 at a special meeting of shareholders of National Tea, approximately 82% of the outstanding shares were voted in favour of the issuance of common shares in payment of the note. The exchange of assets between National Tea and Loblaw Inc. was approved by the U.S. Federal Trade Commission by a vote of 5 to 0.

In February, 1963, Loblaw Inc. converted its $23.0 million note into 1,362,963 common shares of National Tea Co. Loblaw Groceterias Co. reported in May, 1963 that its direct ownership of National Tea was 2,488,671 common shares. The combined holding of 3,851,634 shares was equivalent to 45.2% of the total shares outstanding.

On May 7, 1963 Loblaw Groceterias Co., Limited incorporated D.F.C. Inc., a Delaware corporation, as a wholly-owned subsidiary to hold the Loblaw Group's investments in National Tea and Loblaw Inc. The authorized capital of D.F.C. Inc. consisted of 200,000 shares of non-voting 5% Cumulative Preferred Stock with a par value of $1,000 per share, and 200,000 shares of common stock of no par value.

The following transactions all occurred on May 31, 1963 just one day prior to the fiscal year end of Loblaw Companies Limited on June 1, 1963:

1. Loblaw Inc. sold 1,100,000 common shares of National Tea to D.F.C. Inc. for U.S. $20.9 million ($19 per share, which was ¼ of a point above the closing price of $18 3/4 on the New York Stock Exchange on May 31, 1963). D.F.C. paid for this acquisition by issuing to Loblaw Inc. 20,900 shares of 5% Preferred Stock, valued at U.S. $20.9 million.

2. Loblaw Inc. retained ownership of 262,963 common shares of National Tea, equivalent to 3.1% of the outstanding shares. This investment was carried on the books of Loblaw Inc. at $4,437,500 ($16.875 per share). On the sale to D.F.C., Loblaw Inc. realized a capital gain of $2.125 per share x 1,100,000 shares = $2,337,500 (before taxes and carrying costs).

3. Loblaw Groceterias Co., Limited transferred 2,490,171 common shares of National Tea (including 1,500 shares owned by four directors) and approximately 2,332,800 shares of Loblaw Inc. (60.8% interest) to D.F.C. Inc. in exchange for 100,000 common shares of D.F.C.

4. Weston Biscuit Company, Inc. (a wholly-owned subsidiary of George Weston Limited) transferred 537,665 common shares of National Tea Co. to D.F.C. Inc. in exchange for 10,098 shares of D.F.C. 5% Preferred stock, valued at U.S. $10.1 million. (No information is available concerning the methods by which the Weston subsidiary acquired 537,665 shares of National Tea).

As a result of the four transactions mentioned above, Loblaw Groceterias, through D.F.C. Inc., owned 48.4% of National Tea directly, and 3.1% indirectly through Loblaw Inc. for a total of 51.5%. The figures in the table below indicate the percentage of voting stock of National Tea and Loblaw Inc. owned by Weston/Loblaw on May 31, 1963.

George Weston Limited

100%

Perrin Investments Limited

55.7%

Loblaw Companies Limited

97.9%

Loblaw Groceterias Co., Limited

100%

D.F.C., Inc. (1)

60.8% 2,332,800 shares Loblaw Inc.	48.4% 4,127,836 shares National Tea Co.
3.1% 262,963 shares National Tea Co.	

Note :

(1) D.F.C., Inc. 5% Preferred Stock held as to
(a) $20.9 million by Loblaw Inc.
(b) $10.1 million by Weston Biscuit Company, Inc.

The accounts of National Tea Co. were consolidated for the first time in the accounts of Loblaw Companies Limited for the fiscal year ended on June 1, 1963. Analysis of Loblaw's consolidated accounts suggests that net profit from operations in the Canadian Supermarket Division declined from $4.8 million in 1962 to about $2.5 million in 1963. The inclusion of National Tea allowed Loblaw Companies to report a net profit of $10.1 million for 1963 (after deferred taxes), including capital gains of $2.7 million. In 1962, Loblaw's net profit was $8.7 million, including capital gains of $1.4 million and dividends of $1.9 million from National Tea. See Table 3*.

From the point of view of a Canadian shareholder in Loblaw Companies Limited, there was a combined investment of $90.0 million in National Tea and Loblaw Inc. on June 1, 1963, financed in part by an issue of $31.0 million in preferred shares which was held by companies within the group. See below:

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D.F.C., INC.

(millions)

ASSETS		LIABILITIES	
Investments		Issued Capital	
4,127,736 shares of National Tea at $19.00	$78.4	31,000 5% Pfd. Shs.	$31.0
2,332,800 shares of Loblaw Inc. at Cost	11.6	100,000 Common Shares	59.0
	$90.0		$90.0

Loblaw Companies' net investment of $59.0 million in the U.S. subsidiaries, in the form of 100,000 common shares of D.F.C., Inc., was financed roughly as follows in 1963:

Security	Year Issued	Original Amount	Outstanding in 1963
Loblaw Groceterias 125,000 Class B Shs.	1953	$ 4,525	$ 4,525
Loblaw Groceterias Series A Pfd.	1956	22,277	21,091
Loblaw Groceterias 4-3/4% Deb. Ser. D.	1956	12,000	9,480
Loblaw Groceterias 6% Deb. Ser. E.	1957	8,000	6,080
Loblaw Groceterias Series B. Pfd.	1958	10,050	9,944
Loblaw Groceterias 5-3/4 Deb. Ser. F.	1961	10,000	9,200
		66,852	60,320

The "fixed costs" for Loblaw Companies Limited associated with the U.S. investments in 1964 were as follows:

Preferred Dividends	
Loblaw Groceterias	$ 1,461,000
D.F.C., Inc.	1,500,000
Interest on Debentures	
Loblaw Groceterias (Ser. D, E, F)	1,128,000
	$ 4,089,000

Allowing for tax credits on the debenture interest, the after-tax "fixed costs" were about $3.5 million. During the period from 1964 through 1968, D.F.C. Inc. received annual dividends of $4.3 million from the U.S. investments, resulting in annual "net cash income" of about $800,000. On an equity accounting basis, the contribution to the consolidated earnings of Loblaw Companies was roughly as follows:

(millions) Loblaw Equity in Earnings of	May 30 1964	May 29 1965	May 28 1966	June 3 1967	43 wk. Mar. 30 1968
National Tea	4.9	5.5	6.1	5.5	3.8
Loblaw Inc.	1.1	1.2	1.2	1.3	0.8
"Fixed Costs"	(3.5)	(3.5)	(3.5)	(3.5)	(2.7)
Net Contribution	2.5	3.2	3.8	3.3	1.9

The net profit of National Tea Co. reached a record high of $11.3 million during calendar 1965, on a sales base of $1,190 million. Since 1965, the earnings of National Tea have trended sharply lower. Aggregate losses of $33.0 million were reported for the period from 1973 to 1975. See Table A16* for more complete information on the past earnings history of National Tea Co.

In August, 1966, National Tea purchased approximately 750,000 of its common shares as a result of a tender offer at $16.00 per share. Following this transaction National Tea had 7,845,056 common shares outstanding. Loblaw Companies (through D.F.C., Inc.) owned about 4,181,300 shares directly (53.3% interest) and 262,963 shares indirectly (3.4% interest) through Loblaw Inc.

D.F.C. Inc. redeemed its outstanding issue of $31.0 million of 5% Preferred Shares on the following dates:

Holder	Date		(000) Amount
Loblaw Inc.	Sept. 6,	1963	$11,000
	June 3,	1967	2,000
	Mar. 28,	1969	7,900
			20,900
George Weston Inc.(1)		1965	6,900
		1966	(1,700)
		1969	4,900
			10,100

(1) formerly Weston Biscuit Company, Inc.

On March 28, 1969, D.F.C. Inc. sold its holding of 2,655,720 shares of Loblaw Inc. (71.45% interest) to National Tea Co. for U.S. $22.5 million (Cdn. $24,216,000). D.F.C. used the proceeds of this sale to redeem the remaining $12.8 million of outstanding 5% Preference shares, and to repay a bank loan which reached $14.1 million in 1967. National Tea Co. financed its investment in Loblaw Inc. from the proceeds of a seven-year bank term loan in the amount of $35.0 million, which was consummated on March 28, 1969.

National Tea Co. incurred an operating loss of $22.3 million in calendar 1973 due to a decision to close over 200 unprofitable supermarkets. In addition, there were extraordinary writeoffs totalling $26.9 million in the March 1963 fiscal year. In 1974, National Tea incurred an operating loss of $2.6 million. As a result of these transactions, the shareholders' equity of National Tea was reduced from $131.9 million on April 1, 1972 ($16.80 per share) to $74.9 million on December 28, 1974 ($9.55 per share). National Tea omitted its dividend during 1973.

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Loblaw Companies Limited took the following steps in connection with National Tea during 1973-1975:

1. On March 31, 1973, Loblaws Limited (formerly Loblaw Groceterias Co., Limited) purchased 2,717,100 common shares of Loblaw Inc. (73.1% interest) from National Tea for Cdn. $26,044,500 ($9.60 per share).

2. On September 30, 1973, Loblaws Limited loaned $10.0 million to National Tea, followed by a further loan of $10.0 million by December, 1975.

3. On March 29, 1974 Loblaw Inc. sold its remaining holding of 262,963 shares of National Tea to Loblaw Companies Limited for U.S. $1,249,074 ($4.75 per share). Loblaw Inc. incurred a capital loss on this transaction of U.S. $3,188,426, which was reduced to $2,031,826 after tax credits.

4. During 1975, Loblaw Companies Limited offered to acquire 1,830,000 shares of National Tea under the terms of a public tender offer at U.S. $7.00 per share. Loblaw purchased nearly 1,600,000 shares under the offer and purchased a further 200,000 shares from Wittington Investments Limited. As a result of this transaction, Loblaw increased its ownership of National Tea from 56.7% to 79.6%.

5. In mid December, 1975, National Holdings Inc., a wholly-owned subsidiary of Loblaw Companies Limited, agreed to buy 2,153,344 treasury shares of National Tea Co. for U.S. $15,073,408 (U.S. $7.00 per share). As a result of this transaction, National Tea Co. has 10,000,000 common shares outstanding, of which 8,400,000 shares (84.0%) are owned by Loblaw Companies Limited and its wholly-owned subsidiaries.

6. In December, 1975, National Holdings Inc. loaned U.S. $22.0 million to National Tea repayable from 1978 through 1980. National Tea used the $22.0 million, together with the $15.0 million from the sale of treasury shares, to pay off a $37.83 million term loan with a major bank in Chicago. It is believed, however, that National Holdings Inc. had a bank term loan of $30.9 million with the same Chicago bank as of December 31, 1975.

At the end of 1975, the net worth of National Tea was about $83.9 million, equivalent to $8.39 per share. In addition, National Tea had a "hidden asset" in the form of a tax loss carry forward of approximately $52.0 million or $5.20 per share. In Table 24* we calculate that Loblaw Companies Limited owns 8.4 million common shares of National Tea, at a cost of $108.0 million ($12.86 per share compared with the book value of $8.39 per share). The premium over book value of $37.5 million ($4.47 per share) is a large number in relation to Loblaw's common equity, which was $103.9 million at the end of 1975, following the acquisition of Kelly, Douglas & Company.

The management of Loblaw attached a high priority to the generation of profits in National Tea, commencing in 1976, in order to utilize the $52.0 million tax loss carry forward. Unfortunately, National Tea continued to lose money in 1976.

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Management of National Tea Co.

In 1956, when Loblaw acquired 27% of National Tea, the President of National Tea was Harley V. McNamara. Mr. McNamara, who was formerly with The Kroger Company, aggressively expanded National Tea, through the opening of new stores and the acquisition of existing stores. In March, 1959 the U.S. Federal Trade Commission filed a complaint against National Tea alleging that several acquisitions violated the Federal Trade Commission Act and the Clayton Act. On March 4, 1966 the FTC issued an order providing that National Tea should not, without the prior approval of the FTC, acquire any retail grocery companies for a ten-year period. National Tea elected not to appeal the FTC order. The ten-year ban expired in 1969.

Mr. McNamara retired in 1961, and was succeeded as President by Norman A. Stepelton, who had previously been a Vice-President. Mr. Stepelton remained as President until August, 1970, when he suddenly resigned. The new President was F. Bruce Krysiak who had previously been President of Loblaw Inc., a 71%-owned subsidiary of National Tea in 1970. The management change in 1970 reflected the dissatisfaction of Loblaw Companies with the deteriorating results of National Tea from 1965 through 1970. Under the leadership of Mr. Krysiak, the earnings of National Tea improved from $7.6 million in April, 1971 to $8.9 million in 1972. However, close examination showed that National Tea's competitive position was continuing to deteriorate relative to Jewel Companies and Fisher Foods, due to a low level of sales per square foot and inadequate representation in the suburbs.

In March, 1973, Mr. Krysiak resigned as President of National Tea, and was replaced by Mr. W. Galen Weston. Mr. Weston indicated that his first priority was to provide National Tea with a new management team that would make both operational and marketing changes. Mr. Weston recruited Mr. James A. Watson, formerly the President of Gamble Skogmo Inc. to be the new President of National Tea. Mr. Valdyn W. Schulz left Gamble Skogmo to become Executive Vice President of National Tea. A large number of competent executives joined National Tea during 1973-1975, in such corporate areas as procurement, operations, real estate, labour scheduling, construction, control and finance, labour relations, advertising and personnel. Over 200 obsolete supermarkets were closed and a large number of stores were refurnished. This programme resulted in the previously mentioned operating loss of $22.3 million during calendar 1973 and extraordinary writeoffs of $26.9 million.

Sales per square foot of National Tea increased from $109 in 1972 to $166 in 1975. However, the figure of $166 for National was still too low, in relation to comparable figures for competitors ranging from $210 to $273. A severe price war broke out in Chicago in April, 1975 and National's Chicago Division incurred a loss of $15.0 million in that year. During 1976, National sold or closed all of the stores in its Divisions based in Chicago, Denver, and Davenport, Iowa. Non-recurring writeoffs in connection with the closure programme were about $35.0 million in 1976. The losses in Chicago during 1975-1976 were particularly disappointing for National Tea, since management had expended so much energy and money in an attempt to "turn the Company around". It is a vivid illustration of the violently competitive world in which many of the western Loblaw subsidiaries operate. The remaining divisions of National Tea were profitable during 1975-1976 and are expected to generate a pre-tax profit in 1977, estimated at $10.0 million.

Table 24

LOBLAW COMPANIES LIMITED

Investment in National Tea Co.

December 31, 1975

Investment in the Common Shares of National Tea	No. of Shares	(U.S. mil.) Estimated Cost
National Holdings Inc.	2,153,344	$ 15.0
Loblaw Companies Limited		
Purchased from Loblaw Inc.	262,963	1.2
Purchased in Tender Offer	1,793,328	12.6
Loblaws Limited(2)		
Glenmaple Holdings Limited) Glenmaple Overseas N.V.)	4,187,516(1)	79.2
	8,397,151	108.0
Loans to National Tea		
National Holdings Inc.		22.0
Loblaw Companies Limited		20.0
		42.0
TOTAL INVESTMENT BY LOBLAW COMPANIES		$150.0

Estimated Method of Financing the Investment in National Tea	
Bank Term Loans	
National Holdings Inc.	$ 37.6
Loblaw Companies Limited	30.9
	68.5
Preferred Share Issues	
Loblaws Limited Series A & B	25.2
Debenture Issues	
Loblaws Limited Series D,E,F	11.8
Retained Earnings 1963-1975	27.1
Funds from the Sale of Subsidiaries	17.4
	$150.0

Notes:
(1) The 4,187,516 shares of National Tea owned by Glenmaple were acquired prior to 1973 and were formerly owned by D.F.C. Inc.
(2) Loblaws Limited, 99.7% owned by Loblaw Companies Limited, was formerly called Loblaw Groceterias Co., Limited.

LOBLAW INC.

Acquisition of 100% of the Common Equity by Loblaw Companies Limited

Loblaw Inc. ("Inc.") based in Buffalo, N.Y. was organized in 1924 by Loblaw Groceterias Co., Limited, Toronto for the purpose of opening supermarkets in the region stretching from Syracuse to Chicago. From 1924 to 1928, Inc. opened 25 supermarkets in the area around Buffalo, N.Y. In 1928, Inc. decided to expand into the Chicago Market. Mr. T.P. Loblaw and a Toronto associate underwrote an issue of $1.5 million 7% preferred shares $100 par to provide the expansion capital. Upon the completion of this financing, the capitalization of Loblaw Inc. on April, 1929 was as follows:

28,600 7% Preferred Shares $100 par	$ 2,860,000
56,003 common shares npv.	

Loblaw Groceterias in Toronto owned 28,600 shares of Inc. equivalent to 51.1% of the common equity.

Inc. expanded rapidly in Chicago, opening 37 stores in 1928 and a total of 77 stores by November 1929. There were also 45 stores in Buffalo, Rochester, Niagara Falls and Erie, Pa. by 1929. The Buffalo stores were profitable, but losses were incurred in Chicago. See below:

Loblaw Inc.

Year to April 30	1929	1930	1931
Sales (000)			
Buffalo	$ 4,530	$ 5,858	$ 5,830
Chicago	2,486	7,344	8,272
Combined	7,016	13,202	14,102
Profit bef. Tax (000)			
Buffalo	49.6	108.1	162.0
Chicago	(192.4)	(357.2)	(182.9)
Combined	(142.8)	(249.1)	(20.9)

Source: The Financial Post

In February, 1932, the 77 stores in Chicago were sold to the Jewel Tea Co. for about $1.4 million. At this time, Jewel Tea owned a fleet of vehicles that delivered coffee, tea and other grocery items to the homes of customers. The first supermarkets operated by Jewel were the 77 stores purchased from Loblaw Inc., which had sales of $8.3 million in 1931. In 1974, Jewel Companies operated 389 supermarkets with sales of $1.9 billion.

Loblaw Inc. continued to operate supermarkets in Buffalo, Rochester, Niagara Falls and Erie. The number of stores increased from 55 in 1932 to 90 in 1939. Operations were profitable; however, preferred dividends were still in arrears. In 1939, shareholders

approved a plan of reorganization, whereby the preferred stock was eliminated and arrears of dividends liquidated. Upon completion of the reorganization, Loblaw Inc. had 336,492 common shares outstanding, of which Loblaw Groceterias owned about 37,940 shares or 11.3%.

In February, 1953, Loblaw Inc. had 351,491 common shares outstanding. Loblaw Groceterias, as a result of some open market purchases owned about 58,930 shares, or 16.8%.

In May, 1953, Groceterias purchased 193,734 shares of Loblaw Inc. from George Weston Limited for $7,749,360. Of this amount, $3,849,360 was paid in cash and the balance satisfied by the issuance of 100,000 class B shares of Groceterias to Weston's. This transaction increased Groceteria's holding of Inc. to 199,627 shares or 56.8% of the common equity.

George Weston likely acquired the block of 193,734 shares of Inc. from Mr. F.K. Morrow, a Toronto resident who was a business associate of Mr. T. P. Loblaw in the 1920's. Mr. T. P. Loblaw, the founder of Groceterias, died in 1933. He left some shares in Loblaw Inc. and Loblaw Groceterias to the Kiwanis Boys Club in Toronto. Some of these shares may have been sold to Weston's.

The sales and earnings of Loblaw Inc. were first consolidated in the accounts of Loblaw Groceterias and LCL in the fiscal year ended June 1, 1957. Sales of Loblaw Inc. in fiscal 1957 were $241.5 million and net profit was $3,065,300.

In January, 1960, the shares of Loblaw Inc. were subdivided on a 10 for 1 basis.

In May, 1963, Loblaw Groceterias set up D.F.C. Inc. as a Delaware corporation to hold its interests in Loblaw Inc. and National Tea Co. Groceterias transferred 2,332,800 common shares of Loblaw Inc. to D.F.C. This indicates that, from 1953 to 1963, Groceterias acquired 336,530 common shares of Loblaw Inc. on the open market at an estimated cost of $3.6 million. An additional 322,920 shares were acquired on the market by D.F.C. from 1963 to 1969 at an estimated cost of $2.5 million.

On March 28, 1969, D.F.C. sold its entire holding of 2,655,720 shares (71.45% interest) of Loblaw Inc. to National Tea Co. for $24.2 million. This sale was part of a programme to inject capital into the Canadian Supermarket Division of Loblaw Groceterias.

On March 31, 1973, Loblaw Groceterias repurchased 2,717,100 shares (73.1% interest) of Loblaw Inc. from National Tea for $26.0 million. At this time National Tea required an injection of cash to compensate it for heavy losses incurred during 1973 in connection with its store closing programme.

Loblaw Inc. was valued at U.S. $8.47 per share on March 28, 1969, compared with a book value of U.S. $9.90 per share. On March 31, 1973, Loblaw Inc. was valued at U.S. $9.58 per share, compared with a book value of U.S. $10.55 per share.

In the opinion of the writer, the shares of Loblaw Inc. were worth far less than book value, both in 1969 and in 1973. Analysis of Loblaw Inc. indicated that sales per sq. ft. in the Company's supermarkets were roughly half as high as those of competitors such as Tops in Buffalo and Star Supermarkets in Rochester. Management of Loblaw Inc.

recognized these facts during 1973 and 1974, and closed nearly 25% of the Company's supermarkets. During the nine months ended December 29, 1973, Loblaw Inc. incurred a loss of $7.1 million. Book value per share declined from U.S. $10.55 on March 31, 1973 to U.S. $8.35 on December 29, 1973 - a drop of 20%. In 1974, Loblaw Inc. earned a marginal profit of $252,000 on an equity base of $29.8 million.

On March 17, 1975, Loblaw Companies Limited offered to buy at $6.00 per share all of the stock of Loblaw Inc. that was held by outside shareholders. As a result of this offer, LCL purchased nearly 1.0 million shares of Loblaw Inc. during 1975 for $6.0 million and increased its ownership to 100.0%.

LCL now owns 3,717,007 common shares of Loblaw Inc., at a total cost of $32.0 million. During 1975, Loblaw Inc. incurred a pretax loss estimated at $3.5 million. Most of the loss in 1975 occurred in California, where Loblaw Inc. had two subsidiaries (Better Foods Inc., acquired in 1965 and Louis Stores Inc., acquired in 1975).

Table A17* sets out the sales and earnings of Loblaw Inc. from 1966 to 1974 and contains projections for 1975. During the entire period, Loblaw Inc's return on equity was quite low, and there were losses in three of the last four fiscal periods. In retrospect, Loblaw Inc. has been a poor investment for Loblaw Companies Limited for over a decade.

During 1976, senior management of LCL decided to make major changes in the structure of Loblaw Inc., to protect LCL's investment of $32.0 million. The following steps were taken:

(1) All 33 stores in the California Division (Better Foods and Louis Stores) were sold or closed.

(2) Twenty "Loblaw" stores in Buffalo were merged with the "Bells" chain of corporately owned and franchised stores, to form a chain of 53 "Bells" units. This chain is supplied by Peter J. Schmitt Co., Inc., a wholly-owned subsidiary of LCL. Loblaw Inc. closed its distribution centre in Buffalo.

(3) Most of the 50 "Loblaw" stores in the Syracuse Division were sold or closed by the end of 1976.

The two remaining divisions of Loblaw Inc. in the U.S., based in Buffalo and Erie, Pa. are currently earning a small operating profit. However, in the opinion of the writer, the average store size of these units is still too small, and the sales per square foot are still too low. During 1977, we expect that many of these stores will be sold, closed or converted to franchised "Bells" stores, supplied by Peter J. Schmitt.

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KELLY DOUGLAS & COMPANY, LIMITED

Acquisition of 81% of the Equity Capital by Loblaw Companies Limited

Kelly, Douglas & Company, Limited ("K-D"), based in Vancouver, was incorporated under B.C. Charter on April 3, 1906 to take over a partnership formed in 1896 by Robert Kelly and Francis Ross Douglas. K-D was converted from a private to a public company on May 9, 1955. In April, 1957, K-D sold 300,000 class A non-voting participating shares to the public at $4.00 per share. The class A shares were entitled to a cumulative annual dividend of $0.25 which has been paid regularly.

The capitalization of K-D on May 25, 1957 was as follows:

Shareholders' Equity	
Issued Shares	
6,966 4½% Preference Shares $100 par	696,600
819,875 Class A Shares	1,624,812
1,559,625 Class B Shares	1,589,438
Capital Surplus	77,400
Reserves for Contingencies	100,000
Retained Earnings	4,200,551
	8,288,801
Book Value per Share	$ 3.19

The 1,559,625 class B voting shares outstanding in 1957 were owned by:

Kelmac Investments Ltd. Edward Douglas Investments Ltd.	approx. 66.4%
Frances M. Douglas Kelso Investments Ltd.	approx. 33.6%

In 1957, Kelly Douglas was primarily a wholesale distributor of food in B.C., servicing independents, institutions and the following voluntary groups:

Voluntary Groups	No. of Stores	(mil.) Est. Retail Sales
Red & White	180	$ 19.0
Associated	175	14.0
Super Valu	72	47.0
Total Stores	427	80.0

There were 21 company owned "Super Valu" supermarkets in 1957. By 1961, there were 31 company owned Super Valu stores and 59 stores operated by franchisees.

K-D also owns Nabob Foods Limited, a wholly owned subsidiary that produces coffee, tea, spices, jams and puddings under the trade names of "Nabob", "Squirrel", "Super Valu", "Boban" and others.

Sales of K-D were $93.3 million in 1957. Net profit (after deferred taxes) was $1,030,000. E.P.S. were $0.46.

In 1958, Dunedin Investments Limited, a wholly owned subsidiary of Loblaw Groceterias Co., Limited, acquired 100% of Kelmac Investments Ltd. and Edward Douglas Investments Ltd. This gave Loblaw ownership of approximately 1,074,600 class B voting shares of Kelly Douglas, equivalent to 66.4% of the voting shares and approximately 44.8% of the combined class A and B shares outstanding.

Loblaw Groceterias did not publicly reveal its ownership of Kelly, Douglas until December 1966, in an article which appeared in the Financial Post. However, the results of K-D were consolidated for the first time in the accounts of Loblaw Companies Limited during the fiscal year ended on May 30, 1959. Sales of K-D in 1959 were $104.2 million and net profit (after deferred taxes) was $1,313,000. E.P.S. were $0.54. Loblaw's share in the earnings of K-D in 1959 was about $588,000, before deducting any interest associated with the cost of the investment.

We estimate that Loblaw paid about $8.4 million in 1958 when it acquired 100% of Kelmac Investments and Edward Douglas Investments. This investment was financed by funds raised through the sale of preference shares and debentures. See Table 19*.

Details are not available concerning the exact methods by which Loblaw acquired 100% of Kelmac Investments and Edward Douglas Investments in 1958. We understand that the founding families of K-D were anxious to sell control in 1958, because of their apprehension concerning the aggressive expansion plans in B.C. of three supermarket chains - Dominion Stores, Loblaw and Canada Safeway. Apparently, Miss F. Mildred Douglas was negotiating with J. William Horsey to sell her shares to Dominion Stores. Loblaw purchased control of K-D from shareholders who were related to the Kelly families and their heirs.

The acquisition of control of K-D was challenged by Miss F. Mildred Douglas, who controlled approximately 33.6% of the class B voting shares through Kelso Investments Limited. There was a considerable amount of litigation on this subject during the 1960's, which led to a Supreme Court decision in favour of the Loblaw Group around 1966. Loblaw did not make any additional investments in Kelly, Douglas from 1958 through 1967, except for an open market purchase of 9,300 class A shares.

On August 17, 1968, Loblaw Groceterias Co., Limited sold 100% of Kelmac Investments and Edward Douglas Investments to George Weston Limited for $9,891,000. Weston effectively acquired 1,074,641 class B shares and 9,300 class A shares of Kelly, Douglas at an average cost of $9.125 per share. On December 31, 1968, the common shareholders' equity of K-D was $21.3 million, equivalent to $7.98 per share.

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The sale of K-D by Loblaw to Weston was the first in a series of inter-company transactions from 1968 through 1974, which resulted in the extension of $164.6 million in financial assistance to Loblaw by George Weston Limited and its parent and affiliated companies. Details of these transactions are summarized in Table 15*.

George Weston Limited, through Kelmac and Edward Douglas Investments purchased a total of 352,658 class A shares of Kelly Douglas in the open market from 1969 through 1974, at an estimated cost of $2.5 million ($7.00 per share). These transactions increased Weston's holdings of K-D at December 31, 1974 to 1,074,641 class B shares and 361,958 class A shares (54.7% equity interest).

On February 4, 1974, Kelly Douglas purchased W. H. Malkin Ltd. and other assets in B.C. from Westfair Foods Limited for $8,299,000. Malkin's liabilities included an issue of $3,750,000 7% preferred shares held and retained by Westfair Foods. The amount of $3,750,000 was exactly equal to the value of the goodwill associated with W.H. Malkin.

This purchase by K-D was part of a wide-ranging plan to rationalize the ownership and operations of the Weston/Loblaw retail and wholesale food distribution companies in Canada. It was decided that Westfair Foods, a wholly-owned subsidiary of George Weston Limited based in Winnipeg, should operate exclusively in the provinces of Manitoba, Saskatchewan and Alberta, and that Kelly, Douglas should restrict its operations to B.C.

The assets acquired by K-D from Westfair included a wholesale grocery business that supplied 27 Shop-Easy stores and other independents, four Econo-Mart warehouse stores (corporately owned) and a chain of Mini Mart convenience stores. Sales of W.H. Malkin in B.C. were about $75 million.

Mr. Victor F. Maclean was President of Kelly, Douglas in 1957, and held this post until 1974. Mr. Maclean was related by marriage to the Kelly family. The past earnings history of Kelly, Douglas from 1966 through 1974 is summarized in Table A20**. Sales increased from $154.2 million in 1966 to $305.3 million in 1973. Net profit, which was $1.6 million in 1966, reached $2.9 million in 1972 and declined to $1.3 million in 1973. K-D's return on equity ranged from 7.3% to 10.3% during this period, but was only 4.7% in 1973.

Mr. R.J. Addington was appointed President and Chief Executive Officer in 1974. Mr. W. Galen Weston was appointed Chairman of the Board of Directors. Mr. Addington came to Canada from the U.K. where he was a senior executive in the Weston organization, specializing in wholesale food distribution. During 1974, following the acquisition of W.H. Malkin, K-D closed down several redundant warehouses and consolidated inventories at fewer locations. These rationalization measures freed up about $8.0 million in cash, which was close to 100% of the price paid to acquire Malkin's. Mr. Addington also added management strength to the Super Valu chain of corporate supermarkets, whose sales increased significantly.

In calendar 1974, Kelly Douglas reported sales of $486.0 million and a net profit of $3.0 million. E.P.S. were $1.13. Return on equity was 9.8%. Return on sales was only 0.71%. See Table A20**. The increase in profit reflected the improved management of K-D at several levels, which was installed by the Loblaw Group. Other factors included better margins at Nabob Foods, following a squeeze in 1973 due to inflation.

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NABOB FOODS LIMITED

Year to Dec. 31	1972	1973	1974	53 wks. 1975
Sales (000)	$ 36,735	$ 41,251	$ 49,960	$ 53,439
Profit bef. Taxes	2,074	786	1,801	2,791
Income Taxes	1,000	360	838	1,222
Net Profit	1,074	426	963	1,569

On February 17, 1975, Kelly, Douglas purchased 100% of the common shares of Westfair Foods Limited from George Weston Limited, in exchange for 3,700,000 class A shares of K-D. The exact terms of the share exchange were based on an independent appraisal of both companies by Dominion Securities Harris Corporation.

Westfair Foods is a wholesale and retail food distribution company, based in Winnipeg. Sales in 1974 were $306.9 million and profit from operations was $4,118,000. After deducting preferred dividends of 219,000, Weston's equity in the earnings of Westfair was $3.9 million in 1974. Since Weston acquired 3.7 million class A shares of K-D in exchange for 100% of Westfair, the Westfair profit is equivalent to $1.05 for each new class A share issued by K-D.

The actual figure for 1974 is a little higher than $1.05 since an expense item for amortization of goodwill in the amount of $1.2 million disappears from the accounts of K-D upon consolidation with Westfair.

Prior to its acquisition by K-D, Westfair Foods acquired the O.K. Economy Stores Division of George Weston Limited on December 30, 1973 for $8,084,308 and the Loblaw West division from Loblaws Limited on December 29, 1973 for $3,723,000. As previously mentioned, these acquisitions were part of a rationalization programme to concentrate the ownership of all of the Weston/Loblaw wholesale and retail food distribution subsidiaries in the Prairie Provinces under Westfair Foods Limited.

On a pro forma basis, sales of Kelly, Douglas (including Westfair Foods) were $792.9 million in 1974. Net profit was $7.8 million and E.P.S. were $1.23. Return on equity was 11.8% and return on sales was 0.98%. See Table A20*. The pro forma net worth of K-D at the end of 1974 was $70.8 million. Capitalization consists of 1,576,992 Class B voting shares and 4,750,107 class A shares, for a total of 6,327,099 shares. Net worth per share was $11.19.

George Weston Limited owned 1,074,641 class B shares and 4,061,958 class A shares, equivalent to an equity interest of 81.2%, at an estimated cost of $54.2 million. See below:

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GEORGE WESTON LIMITED

Investment in Kelly, Douglas & Company, Limited
(February 17, 1975)

	No. of Shares	(mil) Weston's Cost
Kelmac Investments Ltd.	1,074,641	$ 9.9
Edward Douglas Investments Ltd.	9,300	
-(Purchased from Loblaw in 1968)		
Purchased in Open Market (1969-1974)	352,658	2.5
Sale of Westfair Foods to K-D (at book value)	3,700,000	41.8
TOTAL INVESTMENT BY WESTON	5,136,599	$54.2

Weston's average cost per share of K-D is estimated at $10.55, compared with the pro forma book value per share of $11.19 on December 31, 1974.

In March, 1975, George Weston Limited sold its entire holding of 4,061,958 class A and 1,074,641 class B shares of Kelly, Douglas to Loblaw Companies Limited in exchange for 6,676,501 class A and 4,204,370 class B shares of Loblaw Companies Limited. This share exchange was a major step in the programme of George Weston to concentrate the ownership of all of its food wholesale and retail distribution companies in Canada under Loblaw Companies Limited.

The transaction also had the effect of significantly strengthening the net worth and debt/equity ratio of Loblaw Companies. (The common shareholders' equity of Loblaw Companies Limited declined from $100.3 million on April 3, 1971 to $53.8 million on December 28, 1974, due to losses at National Tea and Loblaw Inc. in the U.S. and at G. Tamblyn Limited and Sayvette Limited in Canada.)

The terms of the share exchange were based on an independent appraisal of both Kelly, Douglas and Loblaw Companies by Dominion Securities Harris Corporation. The share exchange was approved by the shareholders of Loblaw Companies Limited at their annual meeting in Toronto on April 28, 1975.

From the point of view of a shareholder in Loblaw Companies Limited, they appear to have made an excellent acquisition when they obtained ownership of 81.2% of Kelly, Douglas & Company. Sales of K-D were $814 million in 1975 and net profit was $7.9 million. Loblaw's share in the earnings of K-D in 1975 was $5.5 million for 37 weeks, equivalent to about $0.50 for each share of Loblaw issued to finance the acquisition. Loblaw's consolidated profit in 1975 was $0.2 million. Excluding the results of K-D, Loblaw lost $5.3 million in 1975.

According to Canadian Grocers 1975 Survey of Chains and Groups, Kelly, Douglas and Westfair Foods supply 1,155 "voluntary group" food stores in western Canada and operate 119 corporately owned supermarkets. See below and Tables 6 and 8* for additional details on the growth of this business since 1965.

* Pages 36 and 44

Voluntary Groups	No. of Stores in 1975 Kelly Douglas	Westfair Foods	Combined
Super Valu	46		46
Red & White	112	107	219
Shop-Easy	28		28
Lucky Dollar	28	171	199
United Purity	33		33
Associated	239		239
Affiliated	216		216
Tom Boy		74	74
Shop Rite		101	101
	702	453	1155
Corporate Stores			
Super Valu	41	-	41
Econo-Mart	4	11	15
O.K. Economy	-	39	39
Shop-Easy	-	3	3
Loblaw	-	21	21
	45	74	119

Treatment of K-D Minority Shareholders

In the opinion of the writer, the treatment of the minority shareholders in K-D during the period 1958 to 1975 can be questioned on the following three points:

(1) Loblaw Companies Limited acquired voting control of K-D in 1958, and did not disclose this fact to the K-D shareholders until 1966.

(2) The dividend on class A shares of K-D remained at \$0.25 from 1957 to 1974, while the E.P.S. increased from \$0.44 to \$1.13. The dividend pay-out ratio was only 22% in 1974. K-D's dividend was \$0.35 in 1975.

(3) In 1975, GWL sold its entire controlling interest in K-D to LCL in a share exchange on the basis of 2.12 shares of LCL for one share of K-D. LCL did not make a similar offer to the minority shareholders of K-D. If a minority holder had received 2.12 shares of LCL in 1975 for one share of K-D, the LCL shares could have been sold at \$5.50 per share, for a total of \$11.66. One share of K-D is currently worth about \$6.50. The 2.12 shares of LCL are currently worth only \$6.00 (January, 1977).

SAYVETTE LIMITED

Acquisition of 100% of the Common Equity by Loblaw Companies Limited

Sayvette Limited ("Sayvette"), based in Toronto, was incorporated in the Province of Ontario in December, 1960. In May, 1961, Sayvette was converted from a private to a public company. In August, 1961, Sayvette sold 600,000 treasury shares to the public at $7.50 per share, which brought the outstanding stock to 902,022 shares. In 1963, Sayvette sold 97,978 treasury shares at $2.50 per share, which brought the outstanding stock to 1,000,000 shares. In 1964, Sayvette issued 129,200 shares in connection with the conversion of $353,000 6¼% convertible debentures. On December 31, 1964, the capitalization of Sayvette was as follows:

Shareholders' Equity	
Issued Capital	
1,129,200 Common Shares	$ 5,433,000
Deficit	(4,064,298)
	1,368,702
Book Value per Share	$ 1.21

Sayvette opened four junior department stores in 1961-1962, located in Toronto (3) and in London, Ontario (1). The early years were characterized by heavy losses. See below:

Year to Dec.31	1961	1962	1963	1964
Sales (000)	N.A.	$ 13,300	$ 17,136	$ 16,774
Operating Loss	15	(1,565)	(283)	(599)

The losses from 1962 to 1964, combined with a writeoff of $1.3 million for deferred expenses, resulted in a Deficit of $4.1 million in the Shareholders' Equity account at the end of 1964.

On October 27, 1964, Loblaw Groceterias Co., Limited entered into an Assistance Agreement with Sayvette. Groceterias guaranteed a bank line of $2.5 million to Sayvette, assisted Sayvette in the renegotiation of certain leases, and provided other consulting services. Sayvette agreed to pay Groceterias $2.5 million by November 15, 1969, and granted Groceterias an option to buy 800,000 treasury shares at $3.25 per share until November 1, 1969.

Groceterias, through Dunedin Investments, purchased 61,500 common shares of Sayvette during the 1964-1965 period at an estimated cost of $185,000 ($3.00 per share). In the early 1960's, junior department store companies such as Sayvette represented an interesting avenue of expansion and diversification for Groceterias, at a time when the retail food business was becoming more competitive. Other food retailers were moving in the same direction. Steinberg's Limited opened two "Miracle Mart" department stores in 1962. By 1974, there were 32 Miracle Marts in operation with volume exceeding $150 million. The Oshawa Group acquired the Rite-Way and Towers chains of junior department stores during 1966-1967.

With financial support from Groceterias, Sayvette planned a programme of expansion. The Company opened its fifth store in 1966. Sayvette earned a pre-tax profit of $60,000 in 1965 and $311,000 in 1966. However, in 1967 Groceterias decided to make basic changes in the operations of Sayvette. Mr. A. Gold, who was the Secretary-Treasurer of Peoples Department Stores, was hired as President and Chief Executive Officer of Sayvette. The Company's stores were re-merchandised, resulting in a loss of $1,625,200 in 1967. Groceterias loaned $2.5 million at 7% to Sayvette in 1967 and increased the amount to $3.0 million during 1968.

Under the leadership of Mr. Gold, Sayvette earned a pre-tax profit of $216,000 in 1968 and $553,000 in 1969. A decision was made to resume expansion. Groceterias was encouraged by the profit trend and decided to make a larger investment in Sayvette.

In November, 1969, Groceterias exercised its option, and purchased 800,000 common shares of Sayvette for $2.6 million ($3.25 per share). Also, Groceterias (through Food Markets Holdings Limited) sold 26,248 shares of York Trading Limited (99.3%) to Sayvette in exchange for 1,191,780 treasury shares of Sayvette, valued at $2.5 million. On December 31, 1969, the capitalization of Sayvette was as follows:

Shareholders' Equity	
Issued Capital	
3,232,330 Common Shares	$ 10,815,990
Deficit	(4,617,829)
	6,198,161
Book Value per Share	$ 1.92

Sayvette repaid its $3.0 million loan from Loblaw in December, 1969. At the end of 1969, Groceterias and FMH had a combined holding of 2,024,300 shares of Sayvette, equivalent to an equity interest of 62.6%. In addition, George Weston Limited owned 196,460 shares of Sayvette (6.1%) at the end of 1969. GWL sold these shares to Groceterias in 1973.

In October, 1972, Sayvette sold its 99.3% interest in York Trading Limited to Groceterias for $4.3 million.

Groceterias acquired additional shares of Sayvette in the open market, and owned a total of 2,297,160 shares at the end of 1974 (69.8%).

In March, 1975, Loblaw Companies Limited offered to buy all of the shares of Sayvette owned by minority interests at $2.50 per share. This offer was successful. LCL acquired an additional 993,045 shares of Sayvette, and increased its ownership to 100.0%. At the end of 1975, LCL owned 3,290,205 shares of Sayvette, at an estimated cost of $8.7 million ($2.65 per share).

Table A24* sets out the sales and earnings history of Sayvette from 1964 to 1974, and contains projections for 1975. Sales of the department stores increased from $16.8 million in 1964 to $37.8 million in 1973. The number of stores in operation increased from 4 to 11, all located in south-western Ontario. Sayvette earned modest profits from 1965 through 1971, with the exception of 1967. However, from 1972 to 1974, Sayvette incurred aggregate losses of $8.0 million. The losses reflect increased competition and overstoring and managerial weaknesses at Sayvette in such key areas as

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merchandise selection, advertising and promotion and store locations. Mr. Gold resigned as President of Sayvette in 1972. Mr. Gold was succeeded as Chief Executive in rapid succession by Mr. James A. Watson and Mr. A.W.K. Besant in 1973, by Mr. G.W. Darby in 1974 and Mr. W. Galen Weston and Mr. Paul Harrington in 1975.

At the end of 1974, the net worth of Sayvette was $555,700. During 1975, the new management of Sayvette decided to sell or close all or most of the eleven department stores. Six stores were closed in 1975, resulting in an extraordinary loss of $6.9 million. In addition, Sayvette incurred operating losses of $4.6 million during the 53 weeks ended January 3, 1976. Management indicates that, in the aggregate, the five remaining stores are operating at close to the breakeven point.

At the end of 1975, Loblaw Companies owned 100% of Sayvette Limited, a company with a negative net worth of about $11.0 million, and with a tax loss carry forward of nearly $20.0 million. In 1976, Sayvette was merged with Zehr's Food Markets Limited to form Zehrmart Limited. The purpose of the merger was to offset the pre-tax earnings of Zehr's against the tax loss carry forward at Sayvette.

Table 25

SOBEYS STORES LIMITED

Statement of Sales and Earnings

(millions)

Year to Apr.30	1971	1972	1973	1974	1975	1976
Revenue						
Sales	$92.8	$105.0	$126.8	$151.9	$181.3	$209.4
Rentals	-	1.5	2.9	5.1	6.5	7.4
	92.8	106.5	129.7	157.0	187.8	216.8
Operating Profit	2.9	3.0	3.9	5.3	6.7	7.0
Other Income	0.2	0.2	0.1	0.2	0.2	0.1
	3.1	3.2	4.0	5.5	6.9	7.1
Depreciation	0.9	1.0	1.3	1.6	2.0	2.1
Interest - F.Debt	0.8	0.8	1.1	2.3	2.7	3.2
Interest - S. Term	0.3	0.2	0.3	0.5	0.6	0.5
	2.0	2.0	2.7	4.4	5.3	5.8
Profit bef. Taxes	1.1	1.2	1.3	1.1	1.6	1.3
Income Taxes	0.4	0.4	0.5	0.6	0.7	0.6
Profit bef.Min.Int.	0.7	0.8	0.8	0.5	0.9	0.7
MinorityInterest	-	0.1	0.1	0.1	0.1	-
Net Profit	0.7	0.7	0.7	0.4	0.8	0.7
Pfd. Dividend	0.1	0.1	0.1	0.1	0.1	0.1
Earned for Common	0.6	0.6	0.6	0.3	0.7	0.6
No. of Shs. o/s(000)	775	775	775	775	775	775
Earnings Per Share	$0.78	$0.85	$0.85	$0.45	$0.88	$0.79
% of Sales						
Operating Profit	3.17%	2.80%	2.98%	3.39%	3.55%	3.26%
Profit bef. Min.Int.	0.75	0.74	0.59	0.33	0.46	0.34
Rate of Return						
Return on Capital	8.5%	7.5%	7.8%	8.5%	9.1%	9.1%
Return on Equity	7.6%	7.7%	8.1%	4.9%	8.2%	7.0%

SOBEYS STORES LIMITED

40% of Voting Shares Held by George Weston Limited

Sobeys Stores Limited, based in Stellarton, N.S. operates a chain of 65 supermarkets in the Atlantic Provinces. Sobeys also owns 100% of Lumsden Brothers Limited, a food wholesaler based in Burlington, Ontario. Lumsden supplies three voluntary groups trading as "Clover Farms" (20 stores), "Best-Valu" (160 stores) and "Foodland" (11 stores).

Sobeys has a wholly-owned subsidiary called Atlantic Shopping Centres Limited which owns a number of regional and community shopping centres in the Atlantic Provinces.

For the fiscal year ended May 1, 1976, revenue of Sobeys Stores was 216.8 million. Net profit was $0.7 million and cash flow was $3.3 million. Profit before minority interest was equal to 0.34% of revenue in the 1975-1976 fiscal years.

The capitalization of Sobeys Stores on May 1, 1976 is set out below:

Shareholders' Equity	
Issued Capital	
62,231 Preference Shares	$ 1,244,620
520,860 Class A Shares	1,739,850
254,000 Class B Shares	687,200
Retained Earnings & Surplus	6,370,893
	$10,042,563

George Weston Limited owns 40% of the class B voting shares of Sobeys Stores. This investment was made prior to 1966. Weston's indicates that it is not involved in any way in the management of Sobeys Stores. Weston's does not have a representative on Sobeys' Board of Directors.

Table 26

M. LOEB LIMITED

Statement of Sales and Earnings

(millions)

Year to Jan.31	1971	1972	1973	1974	1975	53 wk. 1976
Sales						
M. Loeb	$434.2	$439.7	$446.1	$489.9	$481.9	$559.2
National Drug		91.8	100.4	116.7	125.1	148.5
Horne & Pitfield				204.4	291.1	340.6
Consolidated	434.2	531.5	546.5	811.0	898.1	1,048.3
Operating Profit	3.3	4.9	5.6	11.2	16.5	16.1
Interest Income	0.3	0.3	0.2	0.1	0.2	-
	3.6	5.2	5.8	11.3	16.7	16.1
Depreciation	1.0	1.5	1.6	2.2	2.7	3.0
Interest - F. Debt	0.4	0.6	0.5	1.5	1.3	1.2
Interest - S. Term	0.7	0.9	1.0	1.4	2.7	2.4
	2.1	3.0	3.1	5.1	6.7	6.6
Profit bef. Taxes	1.5	2.2	2.7	6.2	10.0	9.5
Income Taxes	0.7	1.0	1.4	3.2	5.3	5.2
Profit bef. Min.Int.	0.8	1.2	1.3	3.0	4.7	4.3
Minority Interest	-	0.4	0.4	0.7	1.0	0.9
Net Profit	0.8	0.8	0.9	2.3	3.7	3.4
Pfd. Dividend	0.3	0.4	0.3	0.3	0.3	0.3
Earned for Common	0.5	0.4	0.6	2.0	3.4	3.1
No. of Shs. o/s(mil.)	2.9	2.9	2.9	4.5	4.5	4.5
Earnings Per Share	$0.17	$0.15	$0.22	$0.46	$0.77	$0.70
% of Sales						
Operating Profit	0.75%	0.92%	1.02%	1.38%	1.84%	1.53%
Profit bef.Min.Int.	0.19	0.22	0.24	0.37	0.52	0.41
Rate of Return						
Return on Capital	7.3%	8.7%	9.2%	17.0%	21.3%	15.7%
Return on Equity	5.7%	5.8%	7.2%	13.3%	15.6%	12.0%

M. LOEB LIMITED
18.7% Equity Interest Held by George Weston Limited

M. Loeb Limited ("Loeb"), based in Ottawa, Ontario, is a large food wholesaler in Canada and the United States. Loeb also owns 52.1% of the common shares and 25.8% of the preferred shares of National Drug and Chemical Company of Canada Limited, Montreal. National Drug is Canada's largest wholesale distributor of drugs. In 1973, Loeb acquired 86.6% of the common shares of Horne & Pitfield Foods Limited, based in Edmonton. Horne & Pitfield is a food wholesaler in Alberta and the Northwest Territories, and in California through Market Wholesale Grocery Company, a wholly-owned subsidiary.

M. Loeb Limited holds the IGA franchise for parts of Ontario and Quebec. M. Loeb Corporation, a wholly-owned subsidiary holds the IGA franchise for most of Illinois and for parts of Indiana and Iowa.

According to "Canadian Grocer", M. Loeb and Horne & Pitfield supply the following voluntary food groups.

No. of Stores	U.S.	Ontario	Quebec	H & P Alberta
IGA	37	144	110	74
Much More		34	51	239
Pinto		43	2	-
Red Rooster				21
Mayfair				31
Triple S				15

For the year ended in January, 1976, consolidated sales of Loeb were $1,048 million. Net profit was $3.4 million, after deducting $0.9 million for the minority interests in National Drug and Horne & Pitfield. See Table 26.

George Weston Limited acquired 837,005 common shares of Loeb (18.7% equity interest) in the open market in 1973, at a cost of $5,049,000 ($6.03 per share). This transaction was investigated by the Federal Department of Consumer and Corporate Affairs. In 1973, Weston's agreed to dispose of its Loeb shares as soon as conveniently possible.

Weston's is not involved in the management of M. Loeb and does not have a representative on the Board of Directors. However, Loeb is an important customer of the food processing, forest products and fisheries divisions of Weston's.

SECTION VIII

TRANSACTIONS INVOLVING MINORITY INTERESTS

Loblaw Company Limited
Kelly, Douglas & Company, Limited
British Columbia Packers Limited
Sayvette Limited
Loblaw Inc.

TRANSACTIONS INVOLVING MINORITY INTERESTS

Kelly, Douglas & Company Limited

Loblaw Companies Limited acquired control of Kelly, Douglas in 1958, as a result of a private purchase. The public shareholders were not officially advised of the change in ownership until 1966, when they were made aware of it as a result of an article in the Financial Post. Loblaw sold control of K-D to Weston's in 1968 and repurchased control in a different form in 1976. No offer was made to minority shareholders on either occasion. K-D maintained its dividend at $0.25 from 1957 to 1974, while E.P.S. increased from $0.44 to $1.13.

British Columbia Packers Limited

George Weston Limited purchased control of B.C. Packers in a private transaction in 1959, and secretly consolidated the results of BCP into the Weston accounts in 1962. Periodic open market purchases of BCP shares were made by Weston's during the 1960-1966 period, prior to the official announcement of the change in ownership in 1966. Weston's has never made a public offer to buy shares in BCP.

Loblaw Inc.

Loblaw Companies Limited sold its 71.5% interest in Loblaw Inc. to National Tea Co. for $24.2 million in 1969, and repurchased a 73.1% interest in Loblaw Inc. in 1973 for $26.0 million. Both transactions were valued at a price slightly below book value. However, in the opinion of the writer, Loblaw Inc. was worth far less than book value on both occasions, because of the low level of sales per square foot and sales per store in relation to those of the principal competitors. During the 1973-1975 period, Loblaw Inc. experienced significant operating losses and incurred sizeable writeoffs due to the closure of unprofitable supermarkets.

Sayvette Limited

Loblaw Companies Limited became increasingly involved with Sayvette during the 1964-1969 period, first through a program of financial assistance and then outright control. The takeover of control in 1969 was facilitated in part through the sale of York Trading from Loblaw to Sayvette in exchange for 1.2 million shares of Sayvette. In the opinion of the writer, the merger of Sayvette and York Trading made little sense. In 1972, Sayvette sold its interest in York Trading back to Loblaw for $4.3 million, as part of a program to inject funds into Sayvette.

Wittington Investments Limited

During the period from 1971 to 1974, Loblaw Companies Limited and its subsidiaries raised $103.5 million through the sale of real property to Wittington Investments Limited and associated companies. Wittington currently leases most of these properties to operating companies in the Loblaw Group. Very little information is available concerning the valuation of these properties, or alternative methods of finance that were available to Loblaw at this time.

APPENDIX

FINANCIAL STATEMENTS

Table A1

GEORGE WESTON LIMITED

Statement of Sales and Earnings

1928 to 1975

Year to Dec. 31	(mil.) Sales	(000) Net Profit	(000) Preferred Dividend	Earned for Common	E.P.S.	---- No. of Shares o/s ----- Common	Class A	Class B
1928	$ 3.0E	$ 168	$ 70	$ 98	$0.06	1,600,000		
1929		141	69	72	0.02¼	3,200,000		
1930		193	63	130	0.04	3,200,000		
1931		138	63	75	0.02¼	3,200,000		
1932		122	63	59	0.02	3,200,000		
1933		292	63	229	0.04	5,572,352		
1934		464	63	401	0.06½	6,013,664		
1935		478	63	415	0.07	6,014,112		
1936		506	88	418	0.07	6,014,112		
1937		504	88	416	0.06½	6,470,736		
1938		544	88	456	0.07	6,470,736		
1939		699	88	611	0.09	6,470,736		
1940		580	88	492	0.07½	6,470,736		
1941		616	88	528	0.08	6,470,736		
1942		794	88	706	0.11	6,470,736		
1943		1,101	88	1,013	0.15½	6,470,736		
1944		1,152	108	1,044	0.16	6,470,736		
1945		1,024	158	866	0.13¼	6,470,736		
1946		1,199	158	1,041	0.16	6,470,736		
1947		1,190	158	1,032	0.16	6,470,736		
1948		1,557	293	1,264	0.15¼	8,230,736		
1949		1,691	293	1,398	0.17	8,230,736		
1950	84.0E	1,932	293	1,639	0.20	8,230,736		
1951	96.7E	1,679	444	1,235	0.15	8,230,752		
1952	108.6E	2,290	540	1,750	0.21¼	8,230,752		
1953	110.2E	2,302	534	1,768	0.21½	8,230,752		
1954	120.0E	2,342	532	1,810	0.22	8,230,752		
1955	260.0E	3,168	531	2,637	0.32		4,115,376	4,115,376
1956	280.0E	4,823	529	4,294	0.52		4,115,376	4,115,376
1957	300.0E	5,444	520	4,924	0.60		4,115,376	4,115,376
1958	320.0E	6,165	1,000	5,165	0.63		4,118,076	4,115,376
1959	331.0E	6,385	1,000	5,385	0.65		4,124,556	4,115,376
1960	342.0E	6,755	999	5,756	0.69		4,231,602	4,115,376
1961	350.0E	7,360	992	6,368	0.76		4,258,638	4,115,376
1962	420.0E	10,120	988	9,132	0.89		6,112,625	4,115,376
1963	440.0E	11,597	988	10,609	1.02		6,189,251	4,115,376
1964	462.6	11,281	984	10,297	1.00		6,209,537	4,115,376
1965	485.9	12,558	982	11,576	1.12		6,240,635	4,115,376
1966	579.8	14,254	974	13,280	1.22		6,793,981	4,115,376
1967	622.4	12,983	961	12,022	1.10		6,793,981	4,115,376
1968	729.9	13,076	950	12,126	1.11		6,793,981	4,115,376
1969	931.9	15,432	931	14,501	1.33	10,909,357		
Loblaw Consolidation								
1970	3,470.0	13,810	945	12,865	1.18	10,909,357		
1971	3,566.0	14,285	1,016	13,269	1.21	10,909,357		
1972	3,673.0	15,705	1,007	14,698	1.35	10,914,357		
1973	4,000.0	20,479	1,187	19,292	1.76	10,914,357		
1974	4,711.4	40,179	1,085	39,094	3.55	10,999,361		
1975	5,046.7	18,723	1,136	17,587	1.60	11,019,357		

Notes:

(1) Reported profits from 1928 through 1957 are based on "flow through" method of accounting. Deferred taxes are not deducted.

(2) Reported profits from 1958 through 1969 are after deducting deferred taxes and do not include any gains from the sale of assets, which are treated as extraordinary items. Profit during this period includes only dividend income from Loblaw Companies.

(3) Reported profit from 1970 through 1974, together with the estimate for 1975, is a fully consolidated calculation, to include Weston's share of the net earnings of Loblaw Companies Limited.

(4) The number of shares outstanding and the E.P.S. calculations are adjusted for the following stock splits: 2-for-1 in 1934; 2-for-1 in 1935; 4-for-3 in 1951; 4-for-1 in 1955 (into 2 class A and 2 class B); and 3-for-1 in 1961. A & B merged in 1969.

Table A2

GEORGE WESTON LIMITED

Estimated Sales and Earnings - By Division

(millions)

Year to Dec. 31	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Estimated Sales													
Food Processing (1)	$84.0	$96.7	$108.6	$110.2	$120.0	$130.0	$141.6	$145.0	$148.0	$152.0	$155.0	$158.0	$160.0
Westfair Foods (2)						142.0	153.0	169.0	170.0	175.0	182.0	186.9	188.0
Somerville (3)									19.5	21.5	23.3	25.2	28.3
Eddy Paper Co. (4)													35.6
B.C. Packers (5)													34.9
Inter-Company						(12.0)	(14.6)	(14.0)	(16.5)	(17.5)	(18.3)	(20.1)	(26.8)
Consolidated Sales	84.0	96.7	108.6	110.2	120.0	260.0	280.0	300.0	321.0	331.0	342.0	350.0	420.0
Operating Profit	5.5	4.8	6.8	7.0	6.8	9.4	11.6	12.9	16.8	17.3	17.6	17.8	26.7
Dividends - Loblaw Cos.	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.6	0.7	0.8
Investment Income	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	0.4	0.6	1.4
Gain on Sale of Assets										0.3	0.3	0.3	0.3
	5.6	5.0	7.0	7.3	7.2	9.8	12.0	13.3	17.2	18.1	18.9	19.4	29.2
Depreciation	1.7	1.7	1.9	2.5	2.6	3.5	3.7	3.4	4.1	4.0	4.3	4.2	6.7
Interest	0.1	0.1	-	0.4	0.4	0.4	0.5	0.9	1.1	1.0	1.0	1.0	2.5
	2.8	1.8	1.9	2.9	3.0	3.9	4.2	4.3	5.2	5.0	5.3	5.2	9.2
Profit bef.Taxes	3.8	3.2	5.1	4.4	4.2	5.9	7.8	9.0	12.0	13.1	13.6	14.2	20.0
Income Taxes (6)	1.8	1.5	2.8	2.1	1.9	2.5	3.3	4.0	5.5	6.1	6.2	6.2	8.8
Profit bef.Min. Interest													
Food Processing	1.9	1.6	2.2	2.1	2.0	2.1	2.9	3.3	3.7	3.9	4.3	4.9	4.4
Westfair Foods						2.0	1.2	1.3	1.7	1.7	1.6	1.4	1.5
Somerville									0.7	0.9	0.9	1.0	1.2
Eddy Paper Co.													2.3
B.C. Packers													1.0
Loblaw Dividend	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.6	0.7	0.8
	2.0	1.7	2.3	2.3	2.3	3.4	4.5	5.0	6.5	7.0	7.4	8.0	11.2
Minority Interest	0.1	0.1	-	-	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.7
Net Profit	1.9	1.6	2.3	2.3	2.3	3.1	4.2	4.7	6.2	6.7	7.1	7.7	10.5
Preferred Dividend	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.6	1.0	1.0	1.0	1.0	1.0
Earned for Common	1.6	1.2	1.8	1.8	1.8	2.6	3.7	4.1	5.2	5.7	6.1	6.7	9.5
No. of Shs. o/s (mil.)	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.3	8.4	10.2
Earnings Per Share													
Profit from Operations	$0.19	$0.13	$0.19	$0.17	$0.17	$0.27	$0.40	$0.45	$0.58	$0.59	$0.63	$0.68	$0.82
Loblaw Dividend	0.01	0.02	0.02	0.04	0.05	0.05	0.05	0.05	0.05	0.06	0.06	0.08	0.08
Deferred Income Taxes							0.07	0.09	0.07	0.09	0.12	0.11	0.10
Gain on Sale of Assets										0.04	0.04	0.03	0.03
E.P.S. - Reported	0.20	0.15	0.21	0.21	0.22	0.32	0.52	0.59	0.70	0.78	0.85	0.90	1.03
% of Sales Profit bef. Min. Interest	2.46%	1.79%	2.11%	2.09%	1.96%	1.31%	1.62%	1.67%	2.03%	2.12%	2.17%	2.29%	2.67%

GEORGE WESTON LIMITED

Notes to the Statement of Sales and Earnings
For the Period from 1950 to 1962 (Tables A2)

(1) The Food Processing Division of George Weston Limited consisted of the following wholly-owned subsidiaries in 1950:

Bakery Division	Biscuit Division
Weston Bakeries Limited	McCormick's Limited
	Paulin Chambers Co., Ltd.
Chocolate & Dairy Division	National Biscuit & Confection Co., Limited
William Neilson Limited	Newport Cereal Co., Limited
William Paterson Limited	Independent Biscuit Co., Limited
	Weston Biscuit Company Inc.
	American Biscuit & Cracker Co.
	Southern Biscuit Company

George Weston Limited did not disclose its consolidated sales during the 1950's. However, based on information in Weston's annual reports, consolidated sales are estimated at $84.0 million in 1950, $96.7 million in 1951, $108.6 million in 1952, $110.2 million in 1953 and $120.0 million in 1954. All of these sales were generated by wholly-owned subsidiaries in the Food Processing Division.

In 1955, Weston's acquired 100% of the following three companies, which became part of the Food Processing Division:

Willards Chocolate Company Limited	Toronto, Ontario
Marven's Limited	Moncton, N.B.
G.J. Hamilton & Sons, Ltd.	Pictou, N.S.

By 1962, it is estimated that sales of the Food Processing Division had reached $155.0 million.

(2) George Weston Limited acquired control of Westfair Foods Limited (formerly Western Grocers Limited) in 1944. In 1950, Weston carried this investment on its books at a cost of $903,600. In 1955, Weston increased its ownership of Westfair Foods to 100% and consolidated the results of Westfair for the first time. Sales of Westfair Foods are estimated at $142.0 million in 1955. By 1962, sales of Westfair had increased to $188.0 million.

(3) George Weston Limited acquired 100% of the common shares of Somerville Industries Limited in November, 1957 at a cost of $6,353,000. The results of Somerville were consolidated in the Weston accounts for the first time in 1958. Sales of Somerville were $19.5 million in 1958 and net profit, after preferred dividends, was $641,000.

(4) George Weston Limited acquired 100% of the common shares of Eddy Paper Company Limited in 1962, as a result of a successful takeover offer. The basis of the offer was $1\frac{1}{2}$ class "A" shares of Weston's plus $1.50 cash for each common share of Eddy Paper Company. Weston's acquired 1,196,499 common shares of Eddy Paper Company in exchange for 1,794,608 class "A" shares of Weston's and $1,796,844. The accounts of Eddy Paper Company were consolidated in the Weston accounts in 1962 on a pooling of interest basis. Sales of Eddy Paper Company were $35.6 million in 1962. Pre-tax profit in 1962 was $4.4 million. Net profit, after both current and deferred taxes, was about $2,250,000 in 1962.

(5) George Weston Limited acquired voting control of British Columbia Packers Limited during the course of 1959. Details concerning the exact number of shares owned and the method of acquisition have never been made public. At this time, B.C. Packers' fiscal year ended on March 31. Sales of B.C. Packers for the fiscal year ended on March 31, 1963 were $54.9 million. Profit from operations was $1,168,000. There was also a $417,000 gain on the sale of fixed assets, so that net income for fiscal 1962 was $1,585,000. We assume that the results of B.C. Packers were only included for a part year in Weston's 1962 consolidated accounts. A rough estimate would be that B.C. Packers contributed sales of about $35 million and net profit of about $1.0 million ($0.6 million after deducting minority interest) to Weston's accounts in 1962.

(6) The published figures for net profit and earnings per share that appear in Weston's annual reports for the period from 1956 to 1962 have been restated to allow for deferred income taxes. The figures for minority interest for each year from 1956 to 1962 have not been adjusted as this information is not available. However, any changes to minority interest prior to 1962 would be minor.

(7) On August 27, 1947, George Weston Limited agreed to buy 111,500 class "B" shares of Loblaw Groceterias Co., Limited for $3,623,750 ($32.50 per share). The balance of this amount ($1,673,750, covering 51,500 shares) was paid early in 1953. Weston's acquired an additional block of 100,000 class "B" shares of Loblaw Groceterias in May, 1953 as partial payment following the sale of 1,937,340 shares of Loblaw Inc., Buffalo, to Loblaw Groceterias for $7.7 million. Also in 1953, Weston's is believed to have purchased 25,000 class "B" shares of Loblaw Groceterias Co., Limited issued in October, 1952 to George C. Metcalf. This brought Weston's known holdings in Loblaw Groceterias in 1953 to 236,500 class "B" shares, or 46.5% of the total shares outstanding. In 1956, Weston's exchanged its entire holding of class "B" shares of Loblaw Groceterias for class "B" voting shares of Loblaw Companies Limited, upon the formation of the latter company. On December 31, 1956 Weston's owned 995,222 class "B" shares of Loblaw Companies, at a cost of $7,161,000, which was 51% of the voting shares outstanding.

Table A3

GEORGE WESTON LIMITED

Statement of Sales and Earnings

(millions)

Year to Dec. 31	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	Loblaw Consolidation 1974	Loblaw Consolidation 1975
Sales	$ 440E	$ 463	$ 486	$ 580	$ 622	$ 730	$ 932	$ 997	$1,037	$1,137	$1,377	$4,711	$5,047
Operating Profit	29.3	32.7	35.0	38.1	35.9	44.6	53.1	52.8	52.2	59.7	98.5	182.8	139.8
Dividend - Loblaw Cos.	1.5	1.5	2.1	2.2	2.3	2.3	2.4	2.1	2.2	2.3	2.5	-	-
Other Invest. Income	-	0.1	0.1	0.1	0.2	0.9	2.1	2.1	2.2	1.7	3.8	4.5	5.1
	30.8	34.3	37.2	40.4	38.4	47.8	57.6	57.0	56.6	63.7	104.8	187.3	144.9
Depreciation	7.3	7.2	8.2	9.4	11.0	12.6	15.7	17.3	17.4	19.0	19.8	48.6	54.5
Interest - F. Debt	2.6	2.8	2.7	3.2	4.7	5.2	7.1	7.5	7.0	6.6	9.2	23.9	22.2
- S. Term	0.6	1.9	2.0	2.9	2.9	3.2	4.1	3.8	3.3	3.5	6.6	21.0	18.4
	10.5	11.9	12.9	15.5	18.6	21.0	26.9	28.6	27.7	29.1	35.6	93.5	95.1
Profit bef. Taxes	20.3	22.4	24.3	24.9	19.8	26.8	30.7	28.4	28.9	34.6	69.2	93.8	49.8
Income Taxes - Current	7.8	7.5	7.5	8.0	6.7	11.0	13.8	12.6	12.4	13.6	21.0	35.4	20.1
- Deferred	1.6	2.7	3.5	3.5	1.7	0.9	(0.7)	(0.7)	(1.0)	-	10.1	13.5	6.8
- Total	9.4	10.2	11.0	11.5	8.4	11.9	13.1	11.9	11.4	13.6	31.1	48.9	26.9
Profit bef. Min. Interest	10.9	12.2	13.3	13.4	11.4	14.9	17.6	16.5	17.5	21.0	38.1	44.9	22.9
Minority Interest	0.6	0.9	0.7	1.3	0.6	1.8	2.2	2.1	2.4	2.4	3.5	3.6	2.2
Equity in Fine Fare (U.K.)	-	-	-	2.2	2.2	-	-	-	-	-	-	-	-
Profit from Operations	10.3	11.3	12.6	14.3	13.0	13.1	15.4	14.4	15.1	18.6	34.6	41.3	20.7
Loss Discont. Operations	-	-	-	-	-	-	-	-	-	-	-	(1.1)	(2.0)
Extraordinary Items	1.3	1.1	1.0	1.0	6.8	10.1	0.1	1.2	1.7	11.3	-	1.9	(2.5)
Profit for the Year	11.6	12.4	13.6	15.3	19.8	23.2	15.5	15.6	16.8	29.9	34.6	42.1	16.2
Preferred Dividend	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.0	1.1	1.1	1.1
No. of Shs. o/s (mil.)	10.3	10.3	10.4	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	11.0	11.0
Earnings Per Share													
Profit bef. Following	$0.76	$0.86	$0.92	$0.81	$0.68	$0.90	$1.11	$1.04	$1.09	$1.40	$2.83	$3.65	$1.64
Equity in Fine Fare (U.K.)				0.20	0.21								
Loblaw Dividend	0.14	0.14	0.20	0.21	0.21	0.21	0.22	0.19	0.20	0.21	0.23		
Equity in Loblaw Cos.												Nil	0.14
Profit from Operations	0.90	1.00	1.12	1.22	1.10	1.11	1.33	1.23	1.29	1.61	3.06	3.65	1.78
Loss Discont. Operations	-	-	-	-	-	-	-	-	-	-	-	(0.10)	(0.18)
Extraordinary Items	0.12	0.09	0.09	0.09	0.62	0.93	-	0.12	0.16	1.04	-	0.18	(0.23)
Profit for the Year	1.02	1.09	1.21	1.31	1.72	2.04	1.33	1.35	1.45	2.65	3.06	3.73	1.37
% of Sales													
Operating Profit	6.66%	7.06%	7.21%	6.57%	5.77%	6.12%	5.70%	5.29%	5.04%	5.25%	7.15%	3.88%	2.77%
Profit bef. Min. Interest	2.47%	2.64%	2.73%	2.31%	1.83%	2.04%	1.89%	1.65%	1.69%	1.84%	2.77%	0.95%	0.46%
Rate of Return													
Return on Capital	12.2%	13.2%	13.5%	12.7%	12.4%	11.1%	12.1%	10.8%	10.4%	11.4%	18.7%	16.4%	10.0%
Return on Equity	10.3%	10.6%	11.1%	10.0%	9.9%	9.2%	10.1%	9.0%	9.0%	10.2%	17.0%	18.6%	8.1%

Table A4

GEORGE WESTON LIMITED

BALANCE SHEET - MAIN ITEMS

(millions)

												Loblaw Consolidation	
ASSETS	1950	1956	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Current Assets													
Cash & Securities	$ 3.7	$ 6.5	$ 4.1	$13.3	$ 9.3	$ 5.1	$ 9.6	$ 3.5	$ 7.9	$ 6.2	$ 3.5	$55.5	$35.4
Due from Affiliates	-	-	2.2	-	6.2	3.7	1.1	1.4	1.4	-	8.3	-	-
Accounts Receivable	5.5	12.7	38.5	46.3	42.1	53.8	65.2	64.3	73.6	83.7	96.5	168.3	171.9
Inventories	9.7	23.0	72.6	117.7	102.5	130.7	132.8	145.2	146.8	162.9	231.4	545.5	488.8
Prepaid Expenses	-	-	1.8	2.4	2.6	3.8	4.1	4.2	5.1	5.1	5.5	14.5	15.7
	18.9	42.2	119.2	179.7	162.7	197.1	212.8	218.6	234.8	257.9	345.2	783.8	711.8
Investments, Other Assets													
Loblaw Companies Ltd.		7.2	20.3	22.5	23.0	23.0	23.0	23.9	24.7	27.4	31.1	-	-
D.F.C. Inc.5% Pfd.			3.4	5.0	4.9	4.9							
Westfair Foods Limited	0.9												
Fine Fare (Holdings)					7.4								
M. Loeb Limited											5.0	5.0	5.0
Sundry Investments	0.3	1.0	2.9	4.8	6.1	5.1	4.6	4.1	3.7	6.6	5.2	5.2	6.3
Loans and Advances			4.2	7.2	6.5	5.2	7.0	6.9	5.5	8.8	9.2	15.7	16.5
Properties for Sale					0.3	3.3	4.1	3.1	3.8	4.2	2.5	2.9	-
Goodwill, Deferred Items	0.7	1.7	1.4	1.6	1.9		2.2	2.4	3.3	10.4	11.5	23.5	24.7
	1.9	9.9	32.2	41.1	50.1	41.5	40.9	40.4	41.0	57.4	64.5	52.3	52.5
Fixed Assets													
Land, Bldgs., Equipment	24.1	50.9	215.1	286.8	266.3	308.6	387.8	394.6	403.6	414.1	466.7	892.3	949.3
Accum.Depreciation	7.5	18.0	107.3	132.0	129.7	150.2	204.4	211.1	222.6	231.4	253.5	434.1	465.9
	16.6	32.9	107.8	154.8	136.6	158.4	183.4	183.5	181.0	182.7	213.2	458.2	483.4
	37.4	85.0	259.2	375.6	349.4	397.0	437.1	442.4	456.8	498.0	622.9	1,294.3	1,247.7
LIABILITIES													
Current Liabilities													
Bank Loans and Notes	2.7	-	18.9	26.0	34.6	33.8	27.8	41.5	53.8	62.8	90.3	203.6	213.9
Accounts Payable	5.3	15.3	32.7	85.8	40.1	57.0	66.5	62.2	69.4	78.6	108.7	330.7	319.4
Taxes & Div. Payable	2.1	3.5	6.3	12.5	5.7	7.7	9.3	6.3	9.6	10.6	16.7	45.9	21.0
Current Portion of Debt		0.6	3.1	3.6	5.9	3.7	4.1	9.4	2.3	3.9	10.4	22.5	13.0
	10.1	19.4	61.0	127.9	86.3	102.2	107.7	119.4	135.1	155.9	226.1	602.7	567.3
Funded Debt													
Bank Loans						5.0			26.0	41.0	36.5	105.7	118.8
Debentures,Other	0.8	17.9	51.9	67.2	86.5	88.3	121.2	110.3	79.3	69.9	95.4	152.5	151.5
	0.8	17.9	51.9	67.2	86.5	93.3	121.2	110.3	105.3	110.9	131.9	258.2	270.3
Deferred Items	0.8	0.6	20.6	24.1	24.6	26.3	24.8	23.1	21.7	14.1	23.0	63.7	66.8
Minority Interest	2.5	1.7	10.0	30.8	16.3	24.9	26.9	25.7	24.2	24.9	27.0	139.4	109.4
SHAREHOLDERS' EQUITY													
Preferred Shares	6.5	11.6	19.1	18.7	18.6	18.2	18.0	19.4	19.4	21.6	21.8	19.9	21.5
Common Shares	5.3	5.3	14.2	19.1	19.1	19.1	19.1	19.1	19.1	19.2	19.2	20.8	21.2
Retained Earnings	11.4	28.5	82.4	87.8	98.0	113.0	119.4	125.4	132.0	151.4	173.9	189.6	191.2
	23.2	45.4	115.7	125.6	135.7	150.3	156.5	163.9	170.5	192.2	214.9	230.3	233.9
	37.4	85.0	259.2	375.6	349.4	397.0	437.1	442.4	456.8	498.0	622.9	1,294.3	1,247.7

Table A5

GEORGE WESTON LIMITED

Source and Application of Funds

(Millions)

											Loblaw Consolidation	
SOURCE OF FUNDS	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974(1)	1975
Profit from Operations	$11.3	$12.6	$14.3	$13.0	$13.1	$15.4	$14.4	$15.1	$18.6	$34.6	$40.2	$18.7
Depreciation	7.2	8.2	12.6	11.0	12.6	15.7	17.3	17.4	19.0	19.8	48.8	54.6
Deferred Income Taxes	6.5	3.5	3.5	1.7	0.9	(0.7)	(0.7)	(1.0)	-	10.1	13.5	6.8
Amortization of Goodwill	-	-	-	-	-	(0.7)	(1.2)	(1.4)	(1.3)	(1.1)	0.4	0.8
Amortiz. Def. R.E. Income	-	-	-	-	(0.2)	(0.2)	(1.1)	(0.1)	(0.4)	(0.1)	(0.8)	(1.0)
Minority Interest	-	-	-	-	-	-	-	-	1.6	3.5	2.1	1.7
Other Items	-	-	-	-	-	-	-	-	0.5	(0.1)	0.4	1.0
Cash Flow - Operations	21.0	24.3	30.4	25.7	26.4	29.5	28.7	30.0	38.0	66.7	104.7	82.6
Gain on Sale of Assets	1.1	1.0	1.0	6.8	9.4	(0.8)	0.8	3.4	11.3	-	(3.8)	(5.1)
Tax Credits - Prior Years	-	-	-	-	0.7	0.9	0.6	(1.7)	-	-	-	-
Disposal of Assets & Invest.	-	-	-	10.5	7.4	2.8	4.3	3.2	10.7	5.0	22.1	23.9
Increase in Funded Debt	-	-	15.3	19.3	6.9	37.1	2.7	29.6	46.5	37.2	33.9	65.8
Reduction in Investments	-	3.7	-	-	1.2	2.8	0.6	0.3	-	-	3.7	2.3
Issue of Preferred Shares	-	-	-	-	-	-	1.7	0.3	2.7	0.4	0.1	2.0
Issue of Common Shares	0.1	0.2	5.0	-	-	-	-	-	-	-	-	-
Increase in Minority Int.	-	-	-	6.0	8.5	2.0	-	-	-	-	-	-
Other Items	1.3	(1.2)	-	(1.2)	0.9	3.4	0.2	1.5	-	0.1	-	0.8
	23.5	28.0	51.7	67.1	61.4	77.7	39.6	66.6	109.2	109.4	160.7	172.3
APPLICATION OF FUNDS												
Fixed Assets Additions	12.5	22.1	39.7	29.0	34.4	43.5	21.6	18.2	27.0	48.5	116.4	97.3
Reduction in Funded Debt	2.1	1.4	-	-	-	9.3	13.6	34.6	42.8	16.2	30.2	53.7
Redeem Preference Shares	-	-	0.4	0.2	0.4	0.2	0.2	0.3	0.3	0.2	0.2	-
Dividends	5.5	6.4	8.4	9.2	9.1	9.1	9.6	10.2	10.6	12.0	14.2	14.6
Purchase Minority Interest	-	-	-	-	-	-	1.2	1.5	1.5	0.7	5.1	29.3
Dividends - Minority Int.	-	-	-	-	-	-	-	-	-	0.8	5.3	4.8
Increase in Investments	4.7	-	7.9	1.3	-	-	-	-	10.2	5.9	-	-
Acquisition of Subsidiaries	-	-	-	-	-	-	-	-	14.5	8.0	5.9	3.0
Other Items	0.7	1.8	1.7	0.7	(1.0)	5.4	(0.7)	1.3	-	-	(0.1)	6.2
	25.5	31.7	58.1	40.4	42.9	67.5	45.5	66.1	106.9	92.3	177.2	208.9
WORKING CAPITAL												
Increase During Year	(2.0)	(3.7)	(6.4)	26.7	18.5	10.2	(5.9)	0.5	2.3	17.1	(16.5)	(36.6)
At Beginning of Year	63.9	61.9	58.2	51.8	76.7	94.9	105.1	99.2	99.7	102.0	119.1	181.1
Adjust for Loblaw, Fine Fare	-	-	-	(1.8)	(0.3)	-	-	-	-	-	78.5	-
	61.9	58.2	51.8	76.7	94.9	105.1	99.2	99.7	102.0	119.1	181.1	144.5

Note:
(1) The accounts of Loblaw Companies Limited were consolidated for the first time, commencing in 1974. Kelly, Douglas & Company, Limited was first consolidated in 1968. Capital gains include $16.0 million during 1967-1968 from the sale of 51% of Fine Fare (Holdings) Limited and $11.3 million in 1972 from the sale of property in Hull, Quebec.

Source: George Weston Limited Annual Reports.

Table A6

GEORGE WESTON LIMITED

Analysis of Sales - By Division

(millions)

								Loblaw Consolidation					
Year to Dec. 31	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Division													
Food Processing													
Bakery Division	(	(	(	(		48	52	63	68	81	98	132	147
Biscuit Division	(160	173	170	175	179	92	105	105	106	112	122	142	150
Chocolate & Dairy	(	(	(	(		46	46	48	52	66	72	90	106
Bowes Company										14	45	53	57
Westcane Sugar												50	76
Sub Total	160	173	170	175	179	186	203	216	226	273	337	467	536
Fisheries													
B.C. Packers	58	66	68	77	87	87	93	89	98	110	154	162	145
Connors Bros.					11	14	17	18	15	18	22	25	30
Sub Total	58	66	68	77	98	101	110	107	113	128	176	187	175
Forest Products													
Eddy Paper Company	37	41	44	50	54	56	87	104	103	101	120	194	135
Eastern Fine Paper							1	12	16	16	20	27	23
Sub Total	37	41	44	50	54	56	88	116	119	117	140	221	158
Packaging													
Somerville Industries	29	31	35	40	41	44	45	44	46	47	51	62	62
Wholesale & Retail													
Westfair Foods	185	188	191	201	207	221	235	252	247	257	279	307	70
Kelly, Douglas & Co.						75	212	228	249	280	305	486	184
Peter J. Schmitt (Buffalo)			18	52	56	62	63	64	67	70	89	111	89
O.K. Economy Stores											42		
Sub Total	185	188	191	201	207	358	510	544	563	608	715	904	343
Loblaw Companies Limited													
Cdn. Retail (cal.year)								523	513	526	627	686	796
Cdn. Wholesale								322	332	355	375	451	1,146
U.S. Retail								1,620	1,685	1,595	1,614	1,830	1,953
General Merchandise								91	97	93	100	89	77
Sub Total								2,556	2,627	2,569	2,716	3,056	3,972
Inter-Company Sales	(29)	(36)	(40)	(15)	(13)	(15)	(24)	(113)	(128)	(69)	(135)	(186)	(199)
REPORTED SALES	440	463	486	580	622	730	932	3,470	3,566	3,673	4,000	4,711	5,047

Note:
The sales figures in some cases for 1963 and 1964 are estimates, as Weston did not report consolidated sales figures until 1965. The figures for Loblaw Companies for the period 1970 - 1973 are restated to a calendar year basis to conform with the fiscal year end of George Weston Limited. Loblaw changed its fiscal year end from March 31 to Dec. 31 in 1973.

Table A7

GEORGE WESTON LIMITED

FOOD PROCESSING DIVISION

Statement of Sales and Earnings

(millions)

Year to December 31	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Sales													
Bakery Division (1)	(	(	(	(	(	$48.0	$51.9	$63.0	$67.6	$81.4	$98.3	$131.9	$147.5
Biscuit Division (2)	(160.0E	(173.1E	(170.0E	(175.0E	(179.0E	92.5	105.4	104.5	105.7	111.4	121.5	142.2	149.6
Chocolate & Dairy (3)	(	(	(	(	(	45.5	45.7	48.2	52.6	66.1	72.2	89.5	106.0
Bowes Company (4)										13.7	44.6	53.1	57.1
Westcane Sugar (5)												50.5	76.2
Total Sales	160.0	173.1	170.0	175.0	179.0	186.0	203.0	215.7	225.9	272.6	336.6	467.2	536.4
Est. Operating Profit	11.8	12.4	13.8	13.1	11.3	13.8	14.8	11.4	11.8	17.7	27.8	20.5	35.0
Interest onLoans to													
Eddy Paper Company					0.4	0.5	0.5	1.0	0.9	-	-	0.4	-
Loblaw Companies											0.6	0.8	1.8
Other Invest. Income	0.2	-	(0.1)	(0.2)	-	0.7	1.6	1.6	1.9	1.1	1.8	1.6	0.8
	12.0	12.4	13.7	12.9	11.7	15.0	16.9	14.0	14.6	18.8	30.2	23.3	37.6
Depreciation	2.7	2.6	2.9	3.1	3.5	3.7	3.7	3.6	3.8	4.5	5.7	6.1	9.3
Interest - F. Debt	0.7	2.1	2.0	2.1	3.5	3.9	3.9	3.9	3.8	3.8	6.9	9.2	8.9
Interest - S. Term	0.6	1.0	0.9	0.7	1.2	0.6	0.3	(0.3)	0.1	0.7	3.5	6.2	4.3
	4.0	5.7	5.8	5.9	8.2	8.2	7.9	7.2	7.7	9.0	16.1	21.5	22.5
Profit bef. Taxes	8.0	6.7	7.9	7.0	3.5	6.8	9.0	6.8	6.9	9.8	14.1	1.8	15.1
Income Tax - Current	3.3	2.1	2.1	1.4	1.0	3.9	4.8	3.8	3.3	3.9	4.2	3.9	3.9
- Deferred	0.7	0.9	2.0	2.4	0.8	(0.1)	(0.6)	(1.3)	(0.9)	(0.1)	1.7	(1.7)	-
	4.0	3.0	4.1	3.8	1.8	3.8	4.2	2.5	2.4	3.8	5.9	2.2	3.9
Profit bef. Min. Interest	4.0	3.7	3.8	3.2	1.7	3.0	4.8	4.3	4.5	6.0	8.2	(0.4)	11.2
Minority Int. & Adjust.	0.2	0.1	(0.1)	0.3	0.2	0.5	0.6	0.4	0.1	0.1	0.2	-	-
Net Profit	3.8	3.6	3.9	2.9	1.5	2.5	4.2	3.9	4.4	5.9	8.0	(0.4)	11.2
% of Sales													
Est. Operating Profit	7.37%	7.15%	8.14%	7.47%	6.33%	7.43%	7.28%	5.29%	5.21%	6.50%	8.27%	4.39%	6.53%
Profit bef. Min. Interest	2.49%	2.12%	2.27%	1.84%	0.94%	1.63%	2.35%	2.01%	2.00%	2.19%	2.43%	(0.10)%	2.09%

Source:
This statement is an estimate of the combined results of the Weston subsidiaries comprising the Food Processing Division, prepared by Burns Fry Limited. The sales figures are estimates for the period from 1963 through 1967, and are published company figures for the period 1968 through 1974. The data for operating profit, expenses and net profit is a residual calculation, after deducting the known results of other divisions from Weston's consolidated accounts. However, it was necessary to estimate certain items for three small subsidiaries and there could be some errors in estimating items such as capital gains, interest on inter-company loans and the carrying cost of investments in subsidiaries. Due to these factors, the figures in the above table should be regarded as the best possible estimates, given the circumstances.

GEORGE WESTON LIMITED

Notes to the
Consolidated Financial Statements
for the Period from 1963 - 1975 (Tables A3-A7)

1963-66 In 1967, George Weston Limited changed the basis of accounting for income taxes to reflect deferred income taxes in the financial statements. The previously reported figures for net profit from operations for the period 1963 through 1966 have been adjusted to reflect deferred taxes of $1,589,000 in 1963, $2,653,000 in 1964, $3,509,000 in 1965 and $3,534,000 in 1966. The previously reported figures for minority interest from 1963 through 1966 have not been changed, as this information is not available. However, any changes here would be minor.

1966 Late in the 1966 fiscal year, George Weston Limited exercised an option and acquired 100% of Dicoa Limited, a private investment company, from Wittington Investments Limited. To acquire Dicoa, Weston issued 53 class "A" shares, valued at $1,000, and took over debts of Dicoa estimated at $18.0 million. Weston then consolidated the results of Dicoa Limited on a pooling of interest basis in its 1966 audited accounts. Dicoa owned 51% of Fine Fare (Holdings) Limited, a company that operated a chain of supermarkets in the U.K. In Weston's 1966 annual report, it was stated that the inclusion of Dicoa had the effect of increasing Weston's consolidated sales by $256.1 million and net profit by $1,336,000, after allowance for all charges in connection therewith. Weston's equity in the earnings of Fine Fare was $2,177,000 in 1966. This suggests that Dicoa incurred interest expense in 1966 of $841,000 on an after-tax basis, or about $1,700,000 on a pre-tax basis. Excluding Dicoa, Weston's consolidated sales in North America were $579.8 million in 1966.

1967 In November, 1967, George Weston Limited sold 31% of Fine Fare (Holdings) Limited to Associated British Foods Limited ("ABF") for $23,376,000. ABF is a large publicly-owned food manufacturing and distribution company based in the U.K., whose ordinary shares are controlled as to about 70% by the Weston family. The sale of 31% of Fine Fare resulted in a capital gain of $6,575,000 for George Weston Limited in 1967. Also, Fine Fare ceased to be a controlled subsidiary of Weston's. On an equity accounting basis, Fine Fare contributed $2,243,000 to the consolidated net profit of Weston in 1967.

In March, 1967, George Weston Limited acquired a majority of the outstanding shares of Connors Bros. Limited, a producer of sardines and specialty seafoods based in Black's Harbour, N.B. Weston's consolidated results in 1967 included the results of Connors Bros. for the 10 months ended December 31, 1967. Connors accounted for sales of $10.7 million in 1967 and $14.3 million in 1968.

1968 In early 1968, George Weston Limited sold its remaining 20% interest in Fine Fare (Holdings) Limited to ABF for $16,800,000. A capital gain of $9,408,000 resulted from this transaction.

Effective August 17, 1968, Weston's acquired 70% of the class B voting shares of Kelly, Douglas & Company, Limited from Loblaw Companies Limited for about $10.0 million. The acquisition of Kelly, Douglas added about $75 million to Weston's consolidated sales in 1968 and $238,000 to consolidated net profit.

1969 In February, 1969, Eddy Paper Company Limited, a wholly-owned subsidiary of Weston's, acquired 100% of Brown Forest Industries Limited from Brown Company in the U.S. The total cost of the acquisition was about $30.0 million, including the assumption by Eddy Paper of long term debts of the new subsidiary totalling U.S. $27.0 million (Can. $29,066,000). Brown Forest Industries was subsequently renamed Eddy Forest Products Limited. Due to this acquisition, the sales of Eddy Paper Company and its subsidiaries increased from $55.8 million in 1968 to $87.2 million in 1969 and $104.4 million in 1970. However, Eddy Paper's net profit did not keep pace with sales. Net profit was $1.8 million in 1968, $2.2 million in 1969 and $2.0 million in 1970.

On April 1, 1969 Weston's acquired 100% of Johnson Biscuit Company from a subsidiary of Loblaw Companies Limited for $3,250,000. Johnson produces biscuits at a plant in Sioux City, Iowa. Sales of Johnson are estimated at $5.0 million.

Late in 1969, Weston's acquired 80% of Eastern Fine Paper Inc. of Brewer, Maine. EFP contributed sales of $1.2 million to Weston's consolidated results in 1969 and $12.3 million in 1970.

1970 In January, 1970, Weston's acquired 100% of Soo Line Mills (1969) Limited. Soo Line is a Winnipeg-based flour miller with estimated sales of $5.0 million in 1970.

In 1970, Weston's incorporated George Weston Properties Limited as a wholly-owned subsidiary. The purpose of the new subsidiary is to assist the Weston Group in the development, ownership and financing of properties that are operated by subsidiaries.

1972 On June 1, 1972 Weston's acquired 64% of McCarthy Milling Company Limited, a flour miller based in Streetsville that was a major supplier of flour to Weston's bread plants in Ontario. Sales of McCarthy were $6.5 million in 1972 and net profit was $129,000. Sales increased to $8.3 million in 1973 and $12.1 million in 1974. Net profit was $273,000 in 1973 and $381,000 in 1974.

In September/October, 1972 George Weston Limited acquired 100% of Bowes Company Limited for $16.6 million. Bowes company reported sales of $34.9 million for 1972 and net earnings of $1,378,000. During the part year that Bowes was owned by Weston's in 1972, sales were $13.7 million and net profit is estimated at $600,000. In calendar 1973, sales and earnings of Bowes Company were $44.6 million and $2,038,000 respectively.

In February, 1972, Weston's purchased 80% of Stuart Limited, a Montreal-based producer of snack cakes. The purchase price was $2.4 million.

On April 1, 1972, Weston's acquired 100% of Donlands Dairy Limited, Toronto, and its wholly-owned subsidiary, Royal Dairy in Guelph from Loblaw Companies Limited for $5.0 million. Combined sales of Donlands and Royal Dairy in 1972 are estimated at $14.0 million. Net profit is estimated at $300,000.

On April 29, 1972, Weston's acquired Kambly (of Switzerland) Canada Limited from Loblaw Companies Limited. Kambly operates a plant in Toronto that produces biscuits.

In 1972, Eddy Paper Company Limited sold a portion of its property in Hull, Quebec to the National Capital Commission for $29.5 million. A capital gain of $11,340,000 resulted from this transaction. Eddy shut down its facilities for the production of newsprint in Hull following the sale of the property. The mills remaining in Hull/Ottawa continue to manufacture pulp, fine paper, paperboard and consumer products such as tissues and towels.

1973 On March 31, 1973 Weston's acquired 100% of The O.K. Economy Stores Limited for $5.0 million from Loblaw Groceterias Co., Limited. Sales of O.K. Economy Stores were $42.6 million for the nine-month period ended in December, 1973. On December 30, 1973, George Weston Limited sold to Westfair Foods Limited all of the property, assets and undertaking of its O.K. Economy Division and all of the issued and outstanding shares of The O.K. Economy Stores Limited for $8,084,308.

On December 29, 1973 Westfair Foods Limited acquired from Loblaws Limited (formerly Loblaw Groceterias Co., Limited) all of the property, assets and undertaking of its Loblaw West Division (comprising supermarkets in Manitoba and Alberta) for $3,726,000.

1974 On December 28, 1974, Kelly, Douglas & Company, Limited acquired from G. Tamblyn Limited its drug stores in western Canada for $4,727,000.

1975 On April 19, 1975 Loblaw Companies Limited acquired 81.2% of Kelly, Douglas & Company Limited (and its subsidiary, Westfair Foods) from George Weston Limited in exchange for the issuance of 10,880,871 class A and B shares, valued at $57.5 million.

On October 4, 1975, Loblaw Companies Limited acquired 100% of Old State Foods, Inc. (and its subsidiary, Peter J. Schmitt) from George Weston Limited in exchange for the issuance of 1,572,472 class A and B shares, valued at $7.0 million.

In December, 1975, National Holdings, Inc., a wholly-owned subsidiary of Loblaw Companies, purchased 2,153,344 common treasury shares from National Tea Co. for $15.1 million.

During 1975, Loblaw Companies Limited increased its ownership to 100% in Loblaw Inc., Sayvette Limited and G. Tamblyn Limited as a result of public offers to minority shareholders.

Table A8

BRITISH COLUMBIA PACKERS LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Year to Dec. 31	1965	1966	1967	1967	1968	1969	1970	1971	1972	1973	1974	53 wk. 1975
Sales	$66.1	$67.9	$77.6	$87.3	$86.8	$93.2	$89.4	$97.5	$110.3	$153.8	$161.7	$144.9
Operating Profit	4.5	4.1	5.8	5.0	6.6	7.2	8.4	8.3	9.6	22.9	11.3	7.5
Gain on Sale of Assets	(0.1)	-	0.2	(0.1)	0.2	0.3	0.1	0.2	0.2	0.2	-	0.1
	4.4	4.1	6.0	4.9	6.8	7.5	8.5	8.5	9.8	23.1	11.3	7.6
Depreciation	0.9	1.2	1.7	2.0	2.0	2.2	2.3	2.4	2.6	2.7	3.0	3.1
Interest - F. Debt	0.1	0.1	0.4	0.6	0.6	0.8	0.5	0.4	0.4	0.4	0.4	0.4
- S. Term	0.9	1.1	1.4	1.6	2.1	2.1	2.1	1.5	1.3	1.7	5.0	4.0
	1.9	2.4	3.5	4.2	4.7	5.1	4.9	4.3	4.3	4.8	8.4	7.5
Profit before Taxes	2.5	1.7	2.5	0.7	2.1	2.4	3.6	4.2	5.5	18.3	2.9	0.1
Income Tax - Current	1.0	0.4	0.8	0.6	0.6	0.8	1.2	0.9	1.8	8.6	0.6	(0.5)
- Deferred	0.4	0.3	0.1	(0.4)	(0.1)	(0.1)	0.7	1.1	0.7	0.4	0.7	0.5
	1.4	0.8	0.9	0.2	0.5	0.7	1.9	2.0	2.5	9.0	1.3	-
Profit bef. Minority Int.	1.1	0.9	1.6	0.5	1.6	1.7	1.7	2.2	3.0	9.3	1.6	0.1
Minority Interest	-	0.1	-	-	-	-	-	0.1	-	-	-	-
Net Profit	1.1	0.8	1.6	0.5	1.6	1.7	1.7	2.1	3.0	9.3	1.6	0.1
No. of Shs. o/s (000)	595	595	595	595	595	595	595	595	595	595	595	595
Earnings Per Share	$1.90	$1.37	$2.72	$0.86	$2.67	$2.87	$2.80	$3.60	$5.01	$15.71	$2.63	$ 0.05
% of Sales												
Operating Profit	6.80%	6.09%	7.44%	5.72%	7.60%	7.72%	9.43%	8.51%	8.69%	14.87%	6.99%	5.16%
Net Profit	1.71%	1.20%	2.38%	0.59%	1.59%	1.83%	1.86%	2.19%	2.70%	6.08%	0.97%	0.02%
Rate of Return												
Return on Capital	10.0%	7.9%	9.5%	4.8%	7.7%	8.8%	10.2%	9.4%	11.0%	28.8%	9.5%	4.9%
Return on Equity	5.9	4.2%	8.1%	2.4%	7.3%	7.5%	7.0%	8.4%	10.9%	28.8%	4.3%	0.1%

Note: - British Columbia Packers Limited became a controlled subsidiary of George Weston Limited during 1962. The accounts of BCP were first consolidated into the Weston accounts in 1962. In the March, 1963 fiscal year, sales of BCP were $54.9 million and net profit was $1,585,000. In the March, 1964 fiscal year, sales were $57.8 million and net profit was $375,000. In 1967 BCP changed its fiscal year end to December 31 to conform with Weston's year end.

Source: BCP Annual Reports

Table A9

EDDY PAPER COMPANY LIMITED

STATEMENT OF SALES AND EARNINGS
(millions)

Year to December 31	1962(1)	1965	1966	1967	1968	1969(2)	1970	1971	1972	1973	1974	1975E
Sales	$35.6	$43.9	$49.8	$53.7	$55.8	$87.2	$104.4	$103.2	$100.4	$119.7	$194.3	$135.0
Operating Profit	6.7	7.8	8.7	7.9	6.9	9.4	9.7	5.1	5.9	19.3	57.1	9.8
Amortiz. Goodwill	-	-	-	-	-	0.8	1.1	1.1	1.1	1.1	0.2	-
Investment Income	-	0.2	0.2	0.1	-	0.2	0.3	0.1	0.4	1.0	0.3	0.6
Miscellaneous Income	-	0.1	0.1	0.2	0.2	0.2	-	0.4	0.3	0.4	(0.5)	-
Gain on Sale of Assets	-	1.0	0.8	0.7	-	-	0.3	0.6	(0.5)	-	1.4	-
	6.7	9.1	9.8	8.9	7.1	10.6	11.4	7.3	7.2	21.8	58.5	10.4
Depreciation	1.8	2.1	2.3	2.6	2.9	4.5	5.2	4.7	4.7	4.1	4.8	5.0
Interest - F. Debt	0.5	0.4	0.4	0.4	0.4	1.7	2.4	2.2	1.8	0.3	0.2	0.2
- S. Term	-	-	-	-	0.1	0.5	0.4	0.2	0.2	0.1	0.4	0.4
- Affiliates	-	-	-	0.4	0.5	0.5	1.0	0.9	-	-	0.4	0.4
	2.3	2.5	2.7	3.4	3.9	7.2	9.0	8.0	6.7	4.5	5.8	6.0
Profit bef. Taxes	4.4	6.6	7.1	5.5	3.2	3.4	2.4	(0.7)	0.5	17.3	52.7	4.4
Income Taxes - Current	1.9	2.1	2.5	1.2	0.1	0.7	0.6	(0.1)	0.1	0.6	14.1	1.0
- Deferred	0.2	0.7	0.6	1.1	1.3	0.5	(0.2)	(1.0)	(0.6)	7.5	9.7	0.8
- Total	2.1	2.8	3.1	2.3	1.4	1.2	0.4	(1.1)	(0.5)	8.1	23.8	1.8
Net Profit	2.3	3.8	4.0	3.2	1.8	2.2	2.0	0.4	1.0	9.2	28.9	2.6
E.P.S. (1,196,499 shs.)	$1.88	$3.17	$3.34	$2.06	$1.50	$1.85	$1.69	$0.37	$0.83	$7.72	$24.19	$2.15
% of Sales												
Operating Profit	18.76%	17.84%	17.49%	14.67%	12.41%	10.75%	9.31%	4.97%	5.88%	16.09%	20.39%	7.25%
Net Profit	6.32%	8.64%	8.03%	4.60%	3.21%	2.53%	1.94%	0.42%	0.99%	7.72%	14.90%	1.93%
Rate of Return												
Return on Capital	11.1%	14.2%	14.7%	9.6%	6.2%	7.4%	6.7%	2.6%	2.4%	19.4%	53.4%	7.0%
Return on Equity	8.4%	12.3%	13.0%	7.8%	5.6%	6.7%	5.9%	1.2%	2.3%	17.2%	39.8%	4.5%

Notes:
(1) George Weston Limited acquired 100% of Eddy Paper Company Limited in 1962 through a public offer of 1⅓ Weston 'A' shares plus $1.50 cash for each common share of Eddy Paper Company.
(2) Eddy Paper Company acquired 100% of Eddy Forest Products Limited (formerly Brown Forest Products Limited) from Brown Company on April 30, 1969.

Source: Eddy Paper Company Annual Reports.
Estimate for 1975 by Burns Fry Limited.

Table A10

SOMERVILLE INDUSTRIES LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Year to Dec. 31	1958[1]	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	53 wks. 1975
Sales												
Packaging	$	$	$	$	$30.7	$31.6	$31.9	$32.9	$33.1	$36.5	$45.0	$46.5
Automotive					7.9	8.7	7.0	7.8	7.7	6.8	6.2	5.5E
Other					5.1	5.0	5.1	5.1	6.6	8.0	10.4	9.5E
Total Sales	19.5	34.5	39.7	41.4	43.7	45.3	44.0	45.8	47.4	51.3	61.6	61.5
Operating Profit	2.2	3.7	4.2	4.5	5.5	5.0	4.6	4.9	5.1	4.5	6.5	4.4
Depreciation	0.5	0.8	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.0	1.0
Interest - F. Debt	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.6	0.7	0.7
- S. Term	-	-	-	-	0.4	0.5	0.5	0.4	0.4	0.1	0.3	0.3
	0.8	1.0	1.2	1.2	1.6	1.7	1.7	1.6	1.6	1.8	2.0	2.0
Profit before Taxes	1.4	2.7	3.0	3.4	3.9	3.3	2.9	3.3	3.5	2.7	4.5	2.4
Income Tax - Current	0.6	0.9	1.1	1.4	2.1	1.9	1.6	2.0	1.9	1.0	1.8	1.0
- Deferred	0.1	0.5	0.4	0.2	(0.1)	(0.2)	(0.1)	(0.3)	(0.2)	0.1	0.2	0.1
- Total	0.7	1.4	1.5	1.6	2.0	1.8	1.5	1.6	1.7	1.1	2.0	1.1
Profit from Operations	0.7	1.3	1.5	1.8	1.9	1.5	1.4	1.7	1.8	1.6	2.5	1.3
Equity in Mastico Indust.	-	-	-	-	-	-	-	0.1	0.1	0.1	0.3	0.5
Net Profit	0.7	1.3	1.5	1.8	1.9	1.5	1.4	1.8	1.9	1.7	2.8	1.8
Preferred Dividend	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Earned for Common	0.6	1.2	1.4	1.7	1.8	1.4	1.3	1.7	1.8	1.6	2.7	1.7
E.P.S. (356,300 shs.)	$1.80	$3.41	$3.89	$4.66	$4.11	$3.99	$3.67	$4.80	$5.14	$4.60	$7.59	$4.90
% of Sales												
Operating Profit	11.21%	10.87%	10.76%	11.00%	12.56%	10.98%	10.48%	10.79%	10.73%	8.68%	10.62%	7.20%
Net Profit	3.83%	3.83%	3.76%	4.27%	4.41%	3.37%	3.21%	3.95%	4.07%	3.39%	4.53%	2.98%
Rate of Return												
Return on Capital	12.9%	16.0%	17.3%	18.8%	21.1%	17.2%	15.1%	16.8%	17.4%	13.5%	19.6%	13.0%
Return on Equity	9.5%	10.2%	12.1%	14.6%	15.5%	11.9%	10.8%	13.5%	14.1%	12.6%	19.1%	11.8%

Note:
(1) George Weston Limited acquired 100% of the common shares of Somerville Industries Limited from W. Garfield Weston in November, 1957 for $6,353,000. The accounts of Somerville were consolidated in the Weston accounts, commencing in 1958.

Source: Somerville Annual Reports

Table A11

BOWES COMPANY, LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Year to December 31	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Sales & Commissions	$23.9	$26.5	$27.4	$28.8	$29.2	$31.1	$34.9	$44.6	$53.1	$57.1
Operating Profit	1.7	2.1	2.5	2.7	2.7	2.6	3.4	5.2	4.3	6.2
Investment Income	-	-	-	-	-	0.1	0.1	-	-	0.1
	1.7	2.1	2.5	2.7	2.7	2.7	3.5	5.2	4.3	6.3
Depreciation	0.3	0.3	0.3	0.4	0.4	0.5	0.6	0.7	0.7	0.7
Interest - F. Debt	-	-	-	-	-	-	-	0.3	0.1	0.1
- S. Term	0.1	0.1	0.2	0.2	0.3	0.2	0.2	0.4	0.2	0.3
	0.4	0.4	0.5	0.6	0.7	0.7	0.8	1.4	1.0	1.1
Profit before Taxes	1.3	1.7	2.0	2.1	2.0	2.7	2.7	3.8	3.3	5.2
Income Taxes - Current	0.7	0.9	1.1	1.1	1.0	1.0	1.2	1.6	1.3	2.2
- Deferred	-	-	-	-	-	-	0.1	0.2	0.2	0.2
- Total	0.7	0.9	1.1	1.1	1.0	1.0	1.3	1.8	1.5	2.4
Net Profit	0.6	0.8	0.9	1.0	1.0	1.0	1.4	2.0	1.8	2.8
E.P.S. (605,035 shares)	$1.08	$1.42	$1.52	$1.61	$1.61	$1.68	$2.28	$3.37	$2.94	$4.70
% of Sales										
Operating Profit	7.21%	8.10%	9.00%	9.28%	9.22%	8.35%	9.83%	10.84%	8.09%	10.80%
Net Profit	2.91%	3.25%	3.36%	3.40%	3.33%	3.26%	3.95%	4.57%	3.34%	4.99%
Rate of Return										
Return on Capital	15.7%	20.4%	22.8%	21.3%	19.2%	17.8%	21.1%	23.8%	17.7%	30.0%
Return on Equity	10.1%	12.4%	12.2%	12.0%	11.1%	10.7%	13.1%	16.7%	13.2%	19.6%

Note:
(1) George Weston Limited acquired 100% of Bowes Company on September 7, 1972 for $16.6 million ($27.50 per share). Bowes contributed sales of $13.7 million to Weston's consolidated accounts in 1972.

Table A12

LOBLAW COMPANIES LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Fiscal Year	52 wk. Jun.2 1956	52 wk. Jun.1 1957(1)	52 wk. May 31 1958	52 wk. May 30 1959	52 wk. May 28 1960	53 wk. Jun.3 1961	52 wk. Jun.2 1962	52 wk. Jun.1 1963	52 wk. May 30 1964	52 wk. May 29 1965	52 wk. May 28 1966
Est. Sales											
U.S. Supermarkets	-	242	261	285	311	306	256	1,232	1,312	1,384	1,571
Cdn. Operations	347	367	401	567	614	661	701	740	784	872	962
Inter-Company	(17)	(34)	(37)	(42)	(45)	(47)	(52)	(57)	(61)	(69)	(92)
	330	575	625	810	880	920	905	1,915	2,035	2,187	2,441
Operating Earnings	12.6	24.1	24.5	29.4	30.6	28.9	28.6	55.6	62.0	68.2	75.1
Investment Income	-	-	0.1	0.2	0.3	0.1	(2.7	0.9	0.7	0.9	1.8
Dividend - National Tea	0.8	1.1	1.2	1.3	1.5	1.5	(	-	-	-	-
Gain on Sale of Assets	-	-	-	-	-	1.5	1.4	2.7	2.4	2.4	2.4
	13.4	25.2	25.8	30.9	32.4	32.0	32.7	59.2	65.1	71.5	79.3
Depreciation	2.9	5.8	6.3	7.8	8.1	8.5	7.0	19.3	20.9	22.1	24.0
Interest - F. Debt	1.1	1.7	2.1	2.7	2.9	2.8	2.9	4.5	3.9	4.0	4.1
- S. Term	-	-	-	-	-	-	1.9	1.7	3.0	3.1	3.2
	4.0	7.5	8.4	10.5	11.0	11.3	11.8	25.5	27.8	29.2	31.3
Profit bef. Taxes	9.4	17.7	17.4	20.4	21.4	20.7	20.9	33.7	37.3	42.3	48.0
Income Tax - Current	3.8	7.9	7.0	8.3	8.5	7.6	7.7	14.3	15.8	18.3	21.2
- Deferred	0.2	0.5	0.5	0.6	0.6	0.4	0.7	1.3	0.8	0.9	0.5
- Total	4.0	8.4	7.5	8.9	9.1	8.0	8.4	15.6	16.6	19.2	21.7
Profit bef. Min. Int.	5.4	9.3	9.9	11.5	12.3	12.7	12.5	18.1	20.7	23.1	26.3
Minority Interest	4.4	3.1	2.9	4.3	4.3	4.0	3.8	8.0	8.8	9.5	11.6
Profit from Operations	1.0	6.2	7.0	7.2	8.0	8.7	8.7	10.1	11.9	13.6	14.7
Preferred Dividend	0.2	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Earned for Common	0.8	5.2	6.0	6.2	6.9	7.6	7.6	9.0	10.8	12.5	13.6
No. of Shs. o/s (mil.)	8.5	8.6	8.6	9.1	9.3	9.7	9.8	10.4	11.0	11.1	11.1
E.P.S.	$0.10	$0.60	$0.69	$0.70	$0.75	$0.81	$0.78	$0.89	$1.01	$1.14	$1.23
% of Sales											
Operating Profit	3.82%	4.19%	3.92%	3.63%	3.48%	3.14%	3.16%	2.90%	3.05%	3.12%	3.08%
Profit bef. Min. Int.	1.64%	1.62%	1.58%	1.42%	1.40%	1.38%	1.38%	0.95%	1.02%	1.06%	1.10%
Rate of Return											
Return on Capital	N/A	18.1%	14.4%	14.3%	13.4%	12.6%	12.5%	12.2%	12.8%	13.2%	13.8%
Return on Equity	N/A	16.1%	15.9%	15.1%	15.7%	15.4%	13.6%	14.5%	15.6%	16.0%	15.8%

Note:
(1) Loblaw Inc. first consolidated;

Source: Loblaw Companies Limited Annual Reports.

Table A13

LOBLAW COMPANIES LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Fiscal Year	52 wk. May 28 1966	53 wk. Jun.3 1967	43 wk. Mar.30 1968	52 wk. Mar.29 1969	52 wk. Mar.28 1970	53 wk. Apr.3 1971	52 wk. Apr.1 1972	52 wk. Mar.3 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976(1)
Sales											
U.S. Supermarkets	$1,571	$1,487	$1,218	$1,551	$1,626	$1,640	$1,664	$1,572	$1,281	$ 1,830	$1,953
Cdn. Operations	962	1,015	865	950	911	952	941	994	825	1,226	2,019
Inter-Company	(92)	(103)	(70)	(48)	(12)	(10)	(12)	(6)	(10)	(18)	(20)
Reported Sales	2,441	2,399	2,013	2,453	2,525	2,582	2,593	2,560	2,096	3,038	3,952
Operating Earnings	114.4	104.5	83.6	100.8	105.6	95.4	97.4	61.1	34.6	100.4	133.6
Rental Expense	39.3	39.2	33.0	39.9	41.0	43.6	43.7	45.0	33.0	47.0	65.3
Operating Profit	75.1	65.3	50.6	60.9	64.5	51.8	53.7	16.1	1.6	53.4	68.3
Investment Income	1.8	2.1	1.6	1.8	1.5	2.1	2.0	1.0	1.1	2.2	2.9
	76.9	67.4	52.2	62.7	66.0	53.9	55.7	17.1	2.7	55.6	71.2
Depreciation	24.0	24.2	19.7	24.5	25.3	25.4	26.3	25.0	19.0	25.3	32.4
Interest - F. Debt	4.1	4.5	4.0	6.1	7.8	7.6	8.4	8.1	6.9	11.9	11.5
- S. Term	3.2	3.7	3.6	3.2	2.3	2.3	2.0	2.5	4.8	8.1	8.3
	31.3	32.4	27.3	33.8	35.4	35.3	36.7	35.6	30.7	45.3	52.2
Profit bef. Taxes	45.6	35.0	24.9	28.9	30.6	18.6	19.0	(18.5)	(28.0)	10.3	19.0
Income Taxes - Current	21.2	14.6	12.6	16.3	14.2	10.2	12.7	(2.4)	(1.2)	3.9	15.8
- Deferred	0.5	1.2	(1.0)	(1.1)	1.2	(0.5)	(4.6)	(6.6)	(4.3)	4.4	0.1
- Total	21.7	15.8	11.6	15.2	15.4	9.7	8.1	(9.0)	(5.5)	8.3	15.9
Profit bef. Min. Int.	23.9	19.2	13.3	13.7	15.2	8.9	10.9	(9.5)	(22.5)	2.0	3.1
Minority Interest	11.6	8.9	6.7	7.4	8.1	6.5	6.8	(3.0)	(8.3)	(0.8)	0.5
Profit-Contin.Operations	12.3	10.3	6.6	6.3	7.1	2.4	4.1	(6.5)	(14.2)	2.8	2.6
Loss - Discont. Operations	-	-	-	-	-	-	-	-	-	(1.7)	2.4
Net Income	12.3	10.3	6.6	6.3	7.1	2.4	4.1	(6.5)	(14.2)	1.1	0.2
Preferred Dividend	1.1	1.1	0.8	1.1	1.1	1.1	1.1	1.1	0.8	1.1	1.1
Earned for Common	11.2	9.2	5.8	5.2	6.0	1.3	3.0	(7.6)	(15.0)	Nil	(0.9)
No. of Shs o/s (mil.)	11.1	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	23.7
E.P.S.	$1.01	$0.81	$0.52	$0.46	$0.54	$0.12	$0.27	$(0.67)	$(1.32)	Nil	$(0.05)
% of Sales											
Operating Profit	3.08%	2.72%	2.52%	2.48%	2.56%	2.01%	2.07%	0.63%	0.08%	1.76%	1.73%
Profit bef. Min. Int.	0.98%	0.80%	0.66%	0.56%	0.60%	0.35%	0.42%	(0.37)%	(1.07)%	0.07%	0.08%
Rate of Return											
Return on Capital	13.0%	10.0%	8.8%	8.8%	9.8%	6.9%	7.1%	(2.0)%	(4.2)%	8.0%	9.2%
Return on Equity	11.5%	8.8%	7.0%	5.3%	5.9%	2.0%	3.5%	(6.1)%	(21.8)%	1.4%	0.2%

Note:

(1) Reflects the acquisition of 81.2% of Kelly, Douglas & Co. Ltd. on April 19, 1975, and 100% of Old State Foods Inc. (Peter J. Schmitt) on October 4, 1975, in exchange for the issuance of 12.4 million shares.

Source: Loblaw Companies Annual Reports.

Table A14

LOBLAW COMPANIES LIMITED

Analysis of Sales - By Division
(millions)

Fiscal Year	52 wk. Jun.1 1963	52 wk. May 30 1964	52 wk. May 29 1965	52 wk. May 28 1966	53 wk. Jun.3 1967	43 wk. Mar.31 1968	52 wk. Mar.29 1969	53 wk. Mar.28 1970	53 wk. Apr.3 1971	52 wk. Apr.1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976
Division														
U.S. Retail														
National Tea	$1,031	$1,081	$1,149	$1,302	$1,225	$1,009	$1,284	$1,329	$1,317	$1,324	$1,232	$ 995	$1,447	$1,518
Loblaw Inc.	201	231	235	269	262	209	267	297	323	340	340	286	383	435
Sub Total	1,232	1,312	1,384	1,571	1,487	1,218	1,551	1,626	1,640	1,664	1,572	1,281	1,830	1,953
Cdn. Retail														
Loblaw - Ont.	257	270	280	315	315	256	291	281	291	324	344	315	566	660
- West	37	41	44	52	55	46	54	52	55	54	60	55	-	-
Zehr's Markets	9	10	13	17	20	20	27	35	46	52	56	52	87	101
Dionne Ltee	14	14	15	15	16	14	18	21	25	26	25	22	33	35
Power & Busy B	48	50	50	56	60	48	67	70	65	-	-	-	-	-
O.K. Economy	42	44	48	49	50	43	53	51	50	50	50	-	-	-
Sub Total	407	429	450	504	516	427	510	510	532	506	535	444	686	796
Cdn.Wholesale														
National Groc.	143	152	171	177	189	163	206	218	217	222	236	208	313	350
Kelly,Douglas	113	119	130	155	174	154	76	-	-	-	-	-	-	632
Atlantic Whole.	50	54	57	59	62	54	70	76	83	86	97	86	138	164
York Trading	18	18	20	22	24	20	26	21	28	29	30	-	-	-
Sub Total	324	343	378	413	449	391	378	315	328	337	363	294	451	1,146
Gen. Mdse.														
G. Tamblyn	-	-	26	29	30	29	38	43	47	52	62	49	74	63
Sayvette								28	28	29	34	38	15	14
Sub Total	-	-	26	29	30	29	38	71	75	82	96	87	89	77
Food Process.														
Johnson	2	3	3	3	3	3	4	-	-	-				
Kambly	2	2	2	3	3	2	3	3	4	4				
Donlands Dairy	-	-	8	8	8	8	11	12	13	13				
Federal Farms	5	5	5	6	6	5	6	-	-	-				
Sub Total	9	10	18	20	20	18	24	15	17	17				
Gross Sales	1,972	2,100	2,256	2,533	2,502	2,083	2,501	2,537	2,592	2,605	2,566	2,106	3,056	3,972
Inter-Company	(57)	(65)	(69)	(92)	(103)	(70)	(48)	(12)	(10)	(12)	(6)	(10)	(18)	(20)
REPORTED SALES	1,915E	2,035E	2,187	2,441	2,399	2,013	2,453	2,525	2,582	2,593	2,560	2,096	3,038	3,952

Note:
The sales of U.S. subsidiaries are converted into Canadian dollars at the following exchange rates: 1963-1965: U.S. $1.00 = Cdn. $1.00; 1966: U.S. $1.00 - Cdn. $1.0776; 1967: $1.0816; 1968: $1.0828; 1969: $1.0766; 1970: $1.0750; 1971-1974: $1.0310. Note that Loblaw sold control of Kelly, Douglas to Weston's on August 17, 1968; also sold O.K. Economy, Loblaw West, Johnson Biscuit, Donlands, Kambly.

Table A15

LOBLAW COMPANIES LIMITED
CANADIAN SUPERMARKET DIVISION
Statement of Sales and Earnings
(millions)

Fiscal Year	52 wk. Jun.1 1963	52 wk. May 30 1964	52 wk. May 29 1965	52 wk. May 28 1966	53 wk. Jun.3 1967	43 wk. Mar.30 1968	52 wk. Mar.29 1969	52 wk. Mar.28 1970	52 wk. Apr.3 1971	52 wk. Apr.1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976
Est. Retail Sales														
Loblaw - Ont.	$ 257	$ 279	$ 280	$ 315	$ 315	$ 256	$ 291	$ 281	$ 291	$ 324	$ 344	$ 315	$ 566	$ 660
Power & Busy B	48	50	50	56	60	48	67	70	65	-	-	-	-	-
Zehr's Markets	9	10	13	17	20	20	27	35	46	52	56	52	87	101
Total - Ont.	314	330	343	388	395	324	385	386	402	376	400	367	653	761
Dionne Limitee	14	14	15	15	16	14	18	21	25	26	25	22	33	35
Loblaw - West	37	41	44	52	55	46	54	52	55	54	60	55	-	-
O.K. Economy	42	44	48	49	50	43	53	51	50	50	50	-	-	-
Total Sales	407	429	450	504	516	427	510	510	532	506	535	444	686	796
Operating Profit	13.3	13.9	15.1	15.1	11.0	7.4	7.2	8.7	1.1	3.6	6.0	4.5	21.3	25.4
Depreciation	3.9	4.0	3.8	3.6	3.4	3.0	3.8	4.5	5.0	5.4	4.6	4.1	4.8	5.2
Int. - F. Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
S. Term	1.4	2.5	2.5	2.6	2.8	3.0	2.6	1.4	1.0	0.8	0.6	1.1	2.4	2.0
	5.3	6.5	6.3	6.2	6.2	6.0	6.4	5.9	6.0	6.2	5.2	5.2	7.2	7.2
Profit bef. Taxes	8.0	7.4	8.8	8.9	4.8	1.4	0.8	2.8	(4.9)	(2.6)	0.8	(0.7)	14.1	18.2
Income Tax - Curr.	3.6	3.1	3.9	4.3	1.9	2.3	1.2	0.6						
- Def.	0.6	0.3	0.6	0.3	0.6	(1.5)	(0.8)	0.8						
	4.2	3.4	4.5	4.6	2.5	0.8	0.4	1.4	(2.3)	(1.3)	0.4	(0.5)	7.0	8.8
Profit bef.Min.Int.	3.8	4.0	4.3	4.3	2.3	0.6	0.4	1.4	(2.6)	(1.3)	0.4	(0.2)	7.1	9.4
Minority Int.	0.3	(0.4)	(0.3)	0.5	0.1	(0.1)	0.1	0.2	-	(0.1)	(0.1)	(0.1)	-	0.2
Net Profit	3.5	4.4	4.6	3.8	2.2	0.7	0.3	1.2	(2.6)	(1.2)	0.5	(0.1)	7.1	9.2
% of Sales														
Operating Profit	3.25%	3.24%	3.44%	3.00%	2.13%	1.73%	1.41%	1.70%	0.21%	0.71%	1.12%	1.01%	3.10%	3.19%
Profit bef.Min.Int.	0.93%	0.93%	0.96%	0.85%	0.46%	0.15%	0.08%	0.28%	(0.49)%	(0.26)%	0.07%	(0.05)%	1.03%	1.18%

Note:
The Canadian Supermarket Division is defined to include the operations in Ontario, Manitoba and Alberta of Loblaws Limited (formerly Loblaw Groceterias Co., Limited, Zehr's Markets Limited, Dionne Limitee, Power Supermarkets & Busy B, Super City Discount Foods, Pickering Farms and The O.K. Economy Stores Limited. Super City, Pickering Farms, Power and Busy B were all closed or converted into Loblaw stores during 1971-1973. The O.K. Economy Stores Limited and Loblaw West were sold to the Weston organization on March 31, 1973 and December 30, 1973 respectively.

Table A16
NATIONAL TEA CO.

STATEMENT OF SALES AND EARNINGS

(U.S. $ millions)

Year to December 31	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
No. of Supermarkets	744	761	883	932	910	897	897	985	986	973	941
Sales	$575.6	$617.6	$681.1	$794.2	$829.5	$855.8	$888.9	$979.0	$1,056.9	$1,122.5	$1,161.9
Gross Profit	N/A	113.3	129.4E	151.4	162.2	169.0	178.4	200.0	219.4	239.4	253.5
Operating Expenses											
Wages & Salaries	N/A	66.0	72.9E	84.3	91.5	96.0	102.7	117.2	127.5	137.7	143.0
Rent	N/A	8.3	9.4	11.7	12.8	14.1	14.7	17.6	20.0	21.2	22.1
Other	N/A	17.7	22.2E	28.0	29.5	30.3	30.3	34.5	41.2	45.7	53.7
	N/A	92.0	104.5E	124.0	133.8	140.4	147.7	169.3	188.7	204.6	218.8
Operating Profit	20.5	21.3	24.9	27.4	28.3	28.6	30.7	30.7	30.7	34.9	34.8
Depreciation	4.5	5.3	6.7	7.8	8.5	9.1	9.7	10.9	12.2	13.1	13.6
Interest	0.8	1.1	1.4	1.9	1.7	1.6	1.5	1.7	1.6	1.5	1.3
	5.3	6.4	8.1	9.7	10.2	10.7	11.2	12.6	13.8	14.6	14.9
Profit bef. Taxes	15.2	14.9	16.8	17.7	18.1	17.9	19.5	18.1	16.9	20.3	19.9
Income Taxes - Current	7.5	7.3	8.0	8.1	8.8	8.3	9.5	8.6	8.0	9.5	8.5
- Deferred	0.5	0.6	0.7	0.8	0.3	0.9	0.7	0.4	0.5	0.2	0.1
- Total	8.0	7.9	8.7	8.9	9.1	9.2	10.2	9.0	8.5	9.7	8.6
Net Profit	7.2	7.0	8.1	8.8	9.0	8.7	9.3	9.1	8.4	10.6	11.3
No. of Shs. o/s (mil.)	6.4	6.4	6.5	6.7	7.0	7.1	7.1	7.2	8.5	8.5	8.6
E.P.S.	$1.18	$1.10	$1.25	$1.34	$1.32	$1.23	$1.31	$1.28	$1.00	$1.25	$1.33
% of Sales											
Gross Profit	N/A	18.34%	19.00%E	19.06%	19.55%	19.75%	20.07%	20.42%	20.76%	21.33%	21.82%
Operating Expenses	N/A	14.88	15.34E	15.61	16.13	16.41	16.62	17.29	17.85	18.22	18.82
Operating Profit	3.57%	3.46%	3.66%	3.45%	3.42%	3.34%	3.45%	3.13%	2.91%	3.11%	3.00%
Net Profit	1.26%	1.13%	1.18%	1.11%	1.09%	0.86%	1.05%	0.93%	0.79%	0.95%	0.97%
Rate of Return											
Return on Capital	21.4%	18.7%	18.8%	18.0%	17.3%	16.4%	17.0%	14.1%	11.9%	13.9%	13.4%
Return on Equity	14.6%	12.8%	13.6%	13.5%	12.2%	10.8%	11.0%	9.1%	7.3%	9.0%	9.2%

Source: National Tea Co. Annual Reports

Table A16

NATIONAL TEA CO.

STATEMENT OF SALES AND EARNINGS

(U.S. $ millions)

Fiscal Year	Jan. 1 1966	Dec.31 1966	Dec.30 1967	Mar.29 1969	Mar.28 1970	53 wk. Apr.3 1971	52 wk. Apr. 1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976
No. of Supermarkets	941	865	852	800	794	766	711	565	527	484	452
Sales	$1,161.9	$1,190.5	$1,147.2	$1,192.6	$1,235.9	$1,277.3	$1,284.2	$1,195.1	$ 934.5	$1,403.8	$1,472.3
Gross Profit	253.5	243.7	240.9	253.1	252.8	N/A	257.1	228.7	173.6	276.8	290.8
Operating Expenses											
Wages & Salaries	143.0	148.9	150.2	162.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rents	22.1	22.5	22.5	23.0	N/A		24.6	24.9	15.6	21.5	25.2
Other	53.7	38.5	37.7	39.1	N/A		N/A	N/A	N/A	N/A	N/A
	218.8	209.9	210.4	224.1	221.5	N/A	229.6	230.7	177.1	260.8	278.6
Operating Profit	34.8	33.8	30.5	29.0	31.3	27.4	27.5	(2.0)	(3.5)	16.0	12.2
Depreciation	13.6	13.8	13.4	14.0	14.2	13.9	14.4	13.6	9.2	13.0	14.8
Interest	1.3	1.2	1.1	1.0	3.5	3.0	2.5	2.7	3.2	5.9	3.9
	14.9	15.0	14.5	15.0	17.7	16.9	16.9	16.3	12.4	18.9	18.7
Profit bef. Taxes	19.9	18.8	16.0	14.0	13.6	10.5	10.6	(18.3)	(15.9)	(2.9)	(6.5)
Income Tax - Current	8.5	8.1	6.2	7.4	5.6	4.1	3.0	(7.0)	(0.5)	(0.3)	(0.4)
- Deferred	0.1	(0.2)	0.5	(1.0)	0.1	1.0	0.9	(2.2)	-	-	(0.2)
- Total	8.6	7.9	6.7	6.4	5.7	5.1	3.9	(9.2)	(0.5)	(0.3)	(0.6)
Profit from Operations	11.3	10.9	9.3	7.6	7.9	5.4	6.7	(9.1)	(15.4)	(2.6)	(5.9)
Equity in Loblaw Inc. (1)	-	-	-	-	2.0	2.2	2.2	-	-	-	-
Net Profit	11.3	10.9	9.3	7.6	9.9	7.6	8.9	(9.1)	(15.4)	(2.6)	(5.9)
No. of Shs. o/s (mil.)	8.6	7.8	7.8	7.6	7.6	7.6	7.6	7.8	7.8	7.8	10.0
E.P.S.	$1.33	$1.30	$1.18	$0.97	$1.30	$1.01	$1.18	$(1.20)	$(1.96)	$(0.34)	$(0.76)
% of Sales											
Gross Profit	21.82%	20.47%	21.00%	21.22%	20.45%	N/A	20.02%	19.13%	18.57%	19.72%	19.75%
Operating Expenses	18.82	17.63	18.34	18.79	17.91	-	17.88	19.30	18.94	18.58	18.92
Operating Profit	3.00%	2.84%	2.66%	2.43%	2.54%	2.14%	2.14%	(0.17)%	(0.37)%	1.14%	0.83%
Net Profit	0.97%	0.91%	0.81%	0.64%	0.71%	0.54%	0.61%	(0.76)%	(1.64)%	(0.19)%	(0.40)%
Rate of Return											
Return on Capital	13.4%	12.8%	11.2%	9.4%	12.0%	10.5%	9.6%	(8.8)%	(8.1)%	2.0%	(1.8)%
Return on Equity	9.2%	8.9%	7.7%	6.3%	8.1%	6.1%	7.0%	(8.2)%	(18.0)%	(3.5)%	(8.3)%

Note:
(1) National Tea purchased 71.5% of Loblaw Inc. from Loblaw Companies on March 29, 1969 and resold a 73.1% interest in Loblaw Inc. to Loblaw Companies on March 31, 1973.

Source: National Tea Co. Annual Reports.

Table A17

LOBLAW INC.

STATEMENT OF SALES AND EARNINGS
(U.S. $ millions)

Fiscal Year	52 wk. May 28 1966	53 wk. June 3 1967	43 wk. Mar.30 1968	1969	1970	53 wk. Apr.3 1971	52 wk. Apr.1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1975E
No. of Supermarkets	172	166	165	163	160	159	161	162	153	138	148
Sales	$249.6	$241.8	$192.9	$248.3	$276.4	$313.9	$329.7	$329.7	$277.5	$371.7	$400.3 (1)
Gross Profit	43.3	46.2	37.5	50.2	55.8	69.5	73.7	70.9	57.3	89.2	96.5
Operating Expenses											
Sell. Gen. & Admin.	30.8	33.5	28.1	N/A	N/A	N/A	54.3	56.6	50.9	71.4	78.0
Rent	5.4	5.2	4.0	-	-	-	6.8	7.5	5.8	8.8	9.5
Taxes	1.9	2.5	1.8	2.4	2.4	3.0	3.8	4.4	3.5	5.0	5.5
	38.1	41.2	33.9	43.1	47.2	60.0	64.9	68.5	60.2	84.2	93.0
Operating Profit	5.2	5.0	3.6	7.1	8.6	9.5	8.8	2.4	(2.9)	5.0	3.5
Investment Income	0.8	0.8	0.5	0.6	0.2	0.3	0.3	0.2	-	0.2	-
	6.0	5.8	4.1	7.7	8.8	9.8	9.1	2.6	(2.9)	5.2	3.5
Depreciation	2.2	2.2	2.0	2.5	2.7	3.0	3.0	3.3	2.7	3.2	3.5
Interest Expense	0.5	0.7	0.5	1.0	0.4	0.5	0.3	0.4	0.8	1.2	1.1
Loss on Store Closure	-	-	-	-	-	-	-	-	1.3	0.2	2.4
Writedown of Investment	-	-	-	-	-	-	-	0.3	1.5	-	-
	2.7	2.9	2.5	3.5	3.1	3.5	3.3	4.0	6.3	4.6	7.0
Profit bef. Taxes	3.3	2.9	1.6	4.2	5.7	6.3	5.8	(1.4)	(9.2)	0.6	(3.5)
Income Taxes - Current	1.3	1.0	0.5	1.8	2.9	4.0	3.0	(1.0)	(3.5)	0.2	-
- Deferred	-	-	(0.1)	-	-	(0.8)	(0.3)	1.0	(0.6)	0.1	-
- Total	1.3	1.0	0.4	1.8	2.9	3.2	2.7	(0.9)	(4.1)	0.3	-
Profit bef.Minority Int.	2.0	1.9	1.2	2.4	2.8	3.1	3.1	(0.5)	(5.1)	0.3	(3.5)
Minority Interest	0.1	-	-	-	-	-	-	-	-	-	-
Net Profit	1.9	1.9	1.2	2.4	2.8	3.1	3.1	(0.5)	(5.1)	0.3	(3.5)
E.P.S. (3,717,000 shs.)	$0.49	$0.48	$0.31	$0.65	$0.76	$0.84	$0.84	$(0.13)	$(1.37)	$0.07	$(0.94)
% of Sales											
Gross Profit	17.34%	19.11%	19.42%	20.23%	20.17%	22.16%	22.35%	21.50%	20.66%	24.00%	24.10%
Operating Expenses	15.27	17.05	17.56	17.38	17.05	19.13	19.69	20.75	21.72	22.67	23.23
Operating Profit	2.07%	2.06%	1.86%	2.85%	3.12%	3.03%	2.66%	0.75%	(1.06%)	1.33%	0.87%
Net Profit	0.77%	0.77%	0.62%	0.97%	1.02%	1.00%	0.95%	(0.14)%	(1.84)%	0.07%	(0.87)%
Rate of Return											
Return on Capital	7.8%	7.3%	4.2%	12.6%	14.5%	15.8%	14.0%	(2.6)%	(18.3)%	4.1%	(6.0)%
Return on Equity	5.3%	5.0%	3.2%	6.5%	7.5%	8.0%	7.7%	(1.2)%	(14.5)%	0.8%	(12.5)%

Note:
(1) Reflects acquisition of Louis Stores Inc. in February, 1975.

Source: Loblaw Inc. Annual Reports

Table A18

NATIONAL GROCERS COMPANY LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Fiscal Year	Apr.2 1966	Apr.1 1967	Mar.30 1968	Mar.29 1969	Mar.28 1970(1)	53 wk. Apr.3 1971	52 wk. Apr.1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976
Sales											
National Grocers	$177.2	$189.2	$196.2	$206.0	$ 7.9	$ 8.5	$ 9.8	$10.8	$ 8.5	$14.5	$20.1
Dunedin Investments(1)	-	-	-	-	210.5	208.8	212.1	225.1	199.5	298.4	330.5
Combined Sales	177.2	189.2	196.8	206.0	218.4	217.3	221.9	235.9	208.0	312.9	350.6
Operating Earnings	4.0	4.6	5.4	5.8	2.5	2.6	2.5	2.5	2.6	4.1	4.9
Rental Expense	0.3	0.4	0.4	0.5	0.4	0.7	0.7	0.7	0.9	1.5	2.3
Operating Profit	3.7	4.2	5.0	5.3	2.1	1.9	1.8	1.8	1.7	2.6	2.6
Investment Income	-	-	-	-	-	-	0.1	0.2	-	-	-
Gain on Sale of Assets	-	-	-	0.5	-	0.3	-	-	0.1	0.1	0.3
	3.7	4.2	5.0	5.8	2.1	2.2	1.9	2.0	1.8	2.7	2.9
Depreciation	0.8	0.9	1.1	1.1	1.1	1.0	0.9	1.0	0.8	1.5	1.4
Interest - S. Term	0.3	0.3	0.3	0.2	-	-	-	-	-	-	0.1
	1.1	1.2	1.4	1.3	1.1	1.0	0.9	1.0	0.8	1.5	1.5
Profit bef. Taxes	2.6	3.0	3.6	4.5	1.0	1.2	1.0	1.0	1.0	1.2	1.4
Income Tax - Current	1.2	1.5	1.9	2.1	0.5	0.4	0.5	0.5	0.6	-	0.5
- Deferred	-	-	-	-	0.1	0.2	-	-	(0.1)	0.6	0.1
- Total	1.2	1.5	1.9	2.1	0.6	0.6	0.5	0.5	0.5	0.6	0.6
Net Profit	1.4	1.5	1.7	2.4	0.4	0.6	0.5	0.5	0.5	0.6	0.8
Preferred Dividend	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Earned for Common	1.2	1.3	1.5	2.2	0.2	0.4	0.3	0.3	0.4	0.5	0.7
Per Share (295,852 shs.)											
E.P.S. - Operations	$3.82	$4.26	$5.15	$5.78	$0.75	$0.71	$1.17	$1.15	$1.25	$1.47	$1.47
E.P.S. - incl. Cap.Gains	3.90	4.43	5.09	7.35	0.75	1.42	1.17	1.15	1.49	1.82	2.43
% of Sales											
Operating Profit	2.08%	2.22%	2.53%	2.58%	0.94%	0.86%	0.81%	0.78%	0.81%	0.83%	0.75%
Net Profit	0.76%	0.80%	0.88%	1.16%	0.19%	0.28%	0.23%	0.21%	0.26%	0.21%	0.23%
Rate of Return											
Return on Capital	14.0%	15.3%	18.3%	21.5%	5.1%	6.4%	5.5%	5.3%	6.8%	6.2%	7.3%
Return on Equity	9.4%	9.8%	10.3%	13.0%	2.1%	3.1%	2.6%	2.5%	3.7%	3.4%	4.2%

Note:
(1) In April 1969 National Grocers sold its operating assets, excluding fixed assets, less certain liabilities to Dunedin Investments Limited, a wholly-owned subsidiary of Loblaws Limited for $10.3 million. Since 1969, National has operated as a wholesaler for and on behalf of Dunedin Investments.

Source: National Grocers Annual Reports.

Table A19

ATLANTIC WHOLESALERS LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Fiscal Year	Apr.3 1959(1)	Apr.2 1966	Apr.1 1967	Mar.30 1968	Mar.29 1969	Mar.28 1970	53 wk. Apr.3 1971	52 wk. Apr.1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976
Sales	$31.3E	$59.4	$61.9	$65.3	$70.2	$75.6	$82.4	$85.7	$97.0	$86.2	$138.5	$163.7
Est. Gross Profit	2.5	7.0	7.5	8.1	9.0	9.7	11.1	11.8	13.6	12.2	20.0	24.1
Operating Expenses												
Wages & Salaries	1.0	2.8	3.0	3.2	3.5	4.0	4.7	4.9	5.8	5.3	8.4	10.7
Rentals	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.5	1.0	1.6
Other Expenses (est.)	1.5	2.3	2.4	2.6	2.8	2.9	3.4	3.6	4.1	3.6	5.9	7.0
	1.6	5.2	5.5	5.9	6.5	7.1	8.4	8.8	10.2	9.4	15.3	19.3
Operating Profit	0.9	1.8	2.0	2.2	2.5	2.6	2.7	3.0	3.4	2.8	4.7	4.8
Investment Income	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	0.1	0.1
Gain on Sale of Assets	-	-	-	-	-	-	0.1	-	-	0.2	-	-
	0.9	1.9	2.1	2.3	2.6	2.7	2.8	3.9	3.4	3.0	4.8	4.9
Depreciation	0.1	0.4	0.4	0.4	0.4	0.5	0.6	0.7	0.8	0.8	1.2	1.1
Interest - F.Debt	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	-	-	-
- S. Term	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.2	0.2	0.4	0.5
	0.4	0.7	0.7	0.8	0.7	0.9	0.9	0.9	1.1	1.0	1.6	1.6
Profit bef. Taxes	0.5	1.2	1.4	1.5	1.9	1.8	1.9	2.1	2.3	2.0	3.2	3.3
Income Taxes - Current	0.2	0.6	0.7	0.7	1.0	0.8	0.9	1.0	1.0	0.8	1.6	1.6
- Deferred	-	-	-	-	-	0.1	0.1	-	0.1	0.1	-	-
- Total	0.2	0.6	0.7	0.7	1.0	0.9	1.0	1.0	1.1	0.9	1.6	1.6
Net Profit	0.3	0.6	0.7	0.8	0.9	0.9	0.9	1.1	1.2	1.1	1.6	1.7
E.P.S. (82,500 shs.)	$3.25	$7.12	$8.12	$9.53	$10.40	$11.01	$11.38	$12.94	$14.62	$13.01	$18.90	$20.76
% of Sales												
Est. Gross Profit	8.00%	11.78%	12.17%	12.47	12.86%	12.84%	13.54%	13.74%	13.97%	14.19%	14.43%	14.72%
Operating Expenses	5.15	8.67	8.87	9.09	9.22	9.33	10.17	10.26	10.51	10.93	11.01	11.77
Operating Profit	2.85%	3.11%	3.30%	3.38%	3.64%	3.51%	3.37%	3.48%	3.46%	3.26%	3.42%	2.95%
Net Profit	0.93%	1.01%	1.10%	1.22%	1.24%	1.22%	1.15%	1.26%	1.25%	1.25%	1.13%	1.05%
Rate of Return												
Return on Capital	15.0%	15.7%	17.1%	19.1%	21.0%	19.8%	19.6%	19.6%	21.1%	18.2%	20.3%	19.7%
Return on Equity	13.0%	13.6%	13.8%	14.4%	14.0%	13.1%	12.3%	12.7%	12.9%	12.5%	13.6%	13.2%

Note:
(1) Loblaw Companies Limited acquired control of Atlantic Wholesalers during the 1958-1959 fiscal year.

Source: Atlantic Wholesalers Limited Annual Reports.

Table A20

KELLY, DOUGLAS & COMPANY, LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Calendar Year	53 wk June 4 1966	52 wk June 3 1967	43 wk Mar.30 1968	39 wk Dec.28 1968	52 wk Dec.27 1969	Dec.26 1970	Dec.25 1971	53 wk Dec.30 1972	Dec.29 1973	Dec.28 1974	Pro Forma 1974(1)	53 wk. Jan.3 1976
Sales	$154.2	$173.5	$154.0	$150.8	$211.7	$227.8	$249.2	$279.9	$305.3	$486.0	$792.9	$813.9
Operating Earnings	6.6	7.8	6.2	6.5	8.6	9.9	12.0	11.8	10.5	19.8	30.0	32.3
Rental Expense	1.6	1.8	1.6	1.5	2.4	2.8	3.3	3.2	3.4	4.4	6.1	8.5
Operating Profit	5.0	6.0	4.6	5.0	6.2	7.1	8.7	8.6	7.1	15.4	23.9	23.8
Investment Income	-	-	-	-	-	-	-	-	-	-	0.4	-
Gain on Sale of Assets	(0.1)	-	-	-	-	-	-	0.3	0.3	0.6	1.5	2.9
	4.9	6.0	4.6	5.0	6.2	7.1	8.7	8.9	7.4	16.0	25.8	26.7
Depreciation	1.3	1.6	1.4	1.4	2.0	2.1	2.4	2.7	2.8	3.5	5.5	5.3
Interest - F. Debt	0.1	0.1	0.1	0.1	0.5	0.5	0.4	0.4	1.1	1.5	1.6	1.8
Interest - S. Term	0.3	0.6	0.4	0.4	0.6	0.8	0.7	0.6	0.6	1.8	2.2	1.0
Amortiz. of Goodwill	-	-	-	-	-	-	-	-	-	1.2	-	0.8
	1.7	2.3	1.9	1.9	3.1	3.4	3.5	3.7	4.5	8.0	9.3	8.9
Profit before Taxes	3.2	3.7	2.7	3.1	3.1	3.7	5.2	5.2	2.9	8.0	16.5	17.8
Income Taxes - Current	1.4	1.6	1.4	1.5	1.8	1.7	2.7	2.1	1.0	4.4	8.2	9.1
- Deferred	0.2	0.3	(0.1)	0.1	(0.3)	0.3	-	0.4	0.4	0.2	0.1	0.3
- Total	1.6	1.9	1.3	1.6	1.5	2.0	2.7	2.5	1.4	4.6	8.3	9.4
Profit bef. Minority Int.	1.6	1.8	1.4	1.5	1.6	1.7	2.5	2.7	1.5	3.4	8.2	8.4
Minority Interest	-	-	-	-	-	-	-	(0.2)	0.2	0.4	0.4	0.5
Net Profit	1.6	1.8	1.4	1.5	1.6	1.7	2.5	2.9	1.3	3.0	7.8	7.9
No. of Shares o/s (mil.)	2.7	2.7	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.6	6.3	5.5
Earnings per Share	$0.59	$0.70	$0.52	$0.57	$0.61	$0.65	$0.95	$1.10	$0.51	$1.13	$1.23	$1.44
% of Sales												
Operating Profit	3.24%	3.51%	2.97%	3.30%	2.92%	3.12%	3.48%	3.06%	1.28%	3.16%	3.01%	2.93%
Profit bef. Minority Int.	1.00%	1.06%	0.78%	1.00%	0.75%	0.75%	1.00%	0.96%	0.49%	0.71%	1.03%	1.03%
Rate of Return												
Return on Capital	15.0%	15.8%	10.6%	11.7%	12.0%	12.2%	14.1%	13.5%	8.4%	18.3%	20.0%	18.0%
Return on Equity	9.7%	10.3%	7.0%	7.3%	7.3%	7.3%	10.1%	10.9%	4.7%	9.8%	11.8%	12.2%

Source: Kelly, Douglas Annual Reports

NOTE - (1) Kelly, Douglas issued 3,700,000 Class "A" shares to George Weston Limited to acquire 100% of Westfair Foods Limited on March 22, 1975. The E.P.S. calculation in 1975 is based on the average number of shares outstanding. The results of Westfair Foods were consolidated for 40 weeks in 1975.

Table A21

WESTFAIR FOODS LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Year to December 31	Feb.24 1956	Feb.23 1957	Feb.22 1958	Dec.27 1958(1)	1959	1960	1961	1962	1963	1964	1965
Sales	$142.0E	$149.2E	$155.0E	$144.0E	$175.0E	$185.0E	$186.9	$188.0	$184.7	$187.8	$191.0
Operating Profit	3.5	3.4	3.4	3.5	3.8	4.0	3.1	3.1	4.3	4.7	5.0
Investment Income	-	-	-	-	-	-	-	-	-	-	-
Gain on Sale of Assets	-	0.1	-	0.1	0.3	0.3	0.4	0.4	-	-	0.1
	3.5	3.5	3.4	3.6	4.1	4.3	3.5	3.5	4.3	4.7	5.1
Depreciation	1.4	1.2	0.9	0.7	0.8	1.2	1.1	1.1	1.1	1.0	1.1
Interest - F. Debt	-	0.1	0.1	-	0.1	0.1	0.1	-	-	-	-
- S. Term	-	-	-	-	-	-	-	-	-	-	-
	1.4	1.3	1.0	0.7	0.9	1.3	1.2	1.0	1.0	1.0	1.0
Profit before Taxes	2.1	2.2	2.4	2.9	3.2	3.0	2.3	2.4	3.2	3.7	4.0
Income Taxes - Current	1.0	0.9	1.0	1.1	1.2	0.9	0.6	0.7	1.4	1.7	1.9
- Deferred	0.1	0.1	0.1	0.2	0.3	0.5	0.4	0.2	-	0.1	-
- Total	1.1	1.0	1.1	1.3	1.5	1.4	1.0	0.9	1.4	1.8	1.9
Net Profit	1.0	1.2	1.3	1.6	1.7	1.6	1.3	1.5	1.8	1.9	2.1
Dividends - Pref. & Cl. "A"	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Earned for Common	0.8	1.0	1.1	1.4	1.5	1.4	1.1	1.3	1.6	1.7	1.9
E.P.S. (86,658 shares)	$9.13	$11.32	$12.94	$16.49	$16.91	$15.58	$13.02	$15.06	$18.15	$19.69	$21.96
% of Sales											
Operating Profit	2.48	2.29%E	2.16%E	2.50%E	2.18%E	2.15%E	1.63%	1.65%	2.34%	2.49%	2.60%
Net Profit	0.71%	0.80%E	0.86%E	1.14%E	0.96%E	0.85%E	0.72%	0.81%	0.97%	1.03%	1.11%
Rate of Return											
Return on Capital			9.3%	11.1%	12.3%	11.7%	8.4%	8.1%	10.5%	11.5%	11.8%
Return on Equity			6.7%	7.8%	7.5%	6.7%	5.5%	5.9%	6.6%	6.7%	7.0%

NOTE - (1) Westfair Foods Limited, formerly Western Grocers Limited, became a wholly-owned subsidiary of George Weston Limited during 1955. In 1958, Westfair changed its fiscal year end from Feb. 28 to Dec. 31 to conform with Weston's year end.

Source: Westfair Foods Annual Reports

Table A22

WESTFAIR FOODS LIMITED
STATEMENT OF SALES AND EARNINGS

(millions)

Year to December 31	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974(1)	53 wks. 1975(2)
Sales	$191.0	$201.4	$206.8	$221.1	$235.6	$252.1	$246.3	$257.6	$278.8	$306.9	$338.2
Operating Profit	5.0	5.0	5.0	6.3	6.5	7.2	7.4	7.7	8.9	8.4	8.1
Investment Income	-	0.1	0.1	0.3	0.3	0.2	0.2	0.3	0.4	0.6	1.0
Gain on Sale of Assets	0.1	-	-	(0.2)	0.2	0.1	0.1	0.3	0.2	0.9	3.6
	5.1	5.1	5.1	6.4	7.0	7.5	7.7	8.3	9.5	9.9	12.7
Depreciation	1.1	1.1	1.2	1.4	1.4	1.6	1.5	1.8	1.5	2.0	2.2
Interest - F. Debt	-	-	-	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Interest - S. Term	-	-	-	-	-	-	-	-	-	-	-
	1.1	1.2	1.2	1.4	1.5	1.7	1.6	2.0	1.6	2.1	2.3
Profit before Taxes	4.0	4.0	3.9	5.0	5.5	5.8	6.1	6.3	7.9	7.8	10.4
Income Taxes - Current	1.9	1.8	1.8	2.6	2.7	3.0	2.7	3.0	4.1	3.8	3.7
- Deferred	-	0.1	0.1	(0.1)	-	(0.2)	0.2	(0.1)	(0.1)	(0.1)	0.4
- Total	1.9	1.9	1.9	2.5	2.7	2.8	2.9	2.9	4.0	3.7	4.1
Net Profit	2.1	2.1	2.0	2.5	2.8	3.0	3.2	3.4	3.9	4.1	6.3
Dividends - Pref. & Cl."A"	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Earned for Common	1.9	1.9	1.8	2.3	2.6	2.8	3.0	3.2	3.7	3.9	6.1
E.P.S. (86,658 shares)	$21.96	$22.05	$20.97	$27.00	$30.34	$32.55	$34.53	$36.73	$42.61	$44.99	$70.51
% of Sales											
Operating Profit	2.60%	2.51%	2.41%	2.85%	2.77%	2.87%	2.99%	3.00%	3.17%	2.74%	2.40%
Net Profit	1.11%	1.06%	0.98%	1.16%	1.21%	1.21%	1.30%	1.32%	1.40%	1.34%	1.87%
Rate of Return											
Return on Capital	11.8%	11.7%	11.3%	14.2%	15.1%	15.3%	15.4%	15.2%	18.6%	17.5%	20.9%
Return on Equity	7.0%	6.8%	6.5%	8.0%	8.5%	8.7%	8.8%	8.8%	10.2%	10.2%	13.8%

Notes - (1) 1974 results reflect the following transactions: (i) the purchase from Loblaws Limited of its assets in Alberta and Manitoba for $3.7 million on Dec. 29, 1973; (ii) the purchase of The O.K. Economy Stores Limited from George Weston Limited for $8.1 million on Dec. 30, 1973; (iii) the sale to Kelly, Douglas & Company, Limited of W.H. Malkin Ltd. (Westfair's B.C. subsidiaries) for $8.3 million on February 4, 1974.

(2) 1975 results reflect a $3.6 million gain on the sale of fixed assets.

(3) In early 1976, Westfair acquired the warehouse and certain undeveloped real estate in Denver from National Tea Co. for approximately $6.0 million. Westfair intends to establish a wholesale (retail food distribution business in the U.S.

Source: Westfair Foods Annual Reports.

Table A23

G. TAMBLYN LIMITED

STATEMENT OF SALES AND EARNINGS

(millions)

Fiscal Year	Dec. 1964(1)	Dec.31 1965	Mar.31 1967	Mar.30 1968	Mar.29 1969	Mar.28 1970	53 wk. Apr.3 1971	52 wk. Apr. 1 1972	52 wk. Mar.31 1973	39 wk. Dec.29 1973	52 wk. Dec.28 1974	53 wk. Jan.3 1976
No. of Drug Stores	137	140	145	154	156	162	167	174	172	129	100	100
Sales	$22.6	$25.5	$30.0	$33.6	$38.1	$42.8	$47.0	$51.9	$62.1	$49.1	$73.7	$63.5
Gross Profit	8.2	9.1	10.7	11.8	13.1	14.3	15.4	16.5	18.6E	14.2E	22.1E	18.4E
Operating Expenses												
Wages & Salaries	4.3	4.6	5.3	5.9	6.7	7.4	8.1	8.4	10.1E	8.4E	12.7E	10.8E
Rent	0.8	1.5	1.8	1.0	1.1	1.3	1.5	2.3	2.4	2.2	4.3	4.0
Other	1.6	1.3	1.7	2.8	3.3	3.7	3.8	3.8	4.7	3.9	6.0	5.2
	6.7	7.4	8.8	9.7	11.1	12.4	13.4	14.5	17.2E	14.5	23.0	20.0
Operating Profit	1.5	1.7	1.9	2.1	2.0	1.9	2.0	2.0	1.4	(0.3)	(0.9)	(1.6)
Depreciation	0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.7	0.8	0.7	0.9	0.7
Interest - F. Debt	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-
- S. Term	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.8	0.8	1.1	0.8
	0.6	0.6	0.6	0.6	0.7	0.9	1.1	1.2	1.7	1.5	2.0	1.5
Profit bef. Taxes	0.9	1.1	1.3	1.5	1.3	1.0	0.9	0.8	(0.3)	(1.8)	(2.9)	(3.1)
Income Taxes - Current	0.4	0.5	0.7	0.8	0.6	0.4	0.2	0.3	(0.1)	-	-	-
- Deferred	-	-	-	-	0.1	0.1	0.3	0.1	(0.1)	(0.4)	-	-
- Total	0.4	0.5	0.7	0.8	0.7	0.5	0.5	0.4	(0.2)	(0.4)	-	-
Net Profit	0.5	0.6	0.6	0.7	0.6	0.5	0.4	0.4	(0.1)	(1.4)	(2.9)	(3.1)
E.P.S. (283,244 shs.)	$1.55	$1.93	$2.15	$2.45	$2.08	$1.70	$1.52	$1.45	$(0.56)	$(4.99)	$(10.48)	$(10.90)
% of Sales												
Gross Profit	36.41%	35.87%	35.64%	35.14%	34.43%	33.47%	32.71%	31.80%	30.00%E	29.00%E	30.00%E	29.00%
Operating Expenses	29.79	29.15	29.24	28.98	29.23	28.98	28.47	27.94	27.73	29.62	31.20	31.50
Operating Profit	6.62%	6.72%	6.40%	6.16%	5.20%	4.49%	4.24%	3.86%	2.27%	(0.62)%	(1.20)%	(2.50)%
Net Profit	2.04%	2.23%	2.10%	2.12%	1.60%	1.17%	0.96%	0.83%	(0.22)%	(2.85)%	(4.00)%	(4.83)%
Rate of Return												
Return on Capital	13.2%	15.3%	16.1%	16.1%	13.3%	11.0%	10.1%	8.6%	3.6%	(5.3)%	(11.2)%	(15.1)%
Return on Equity	8.5	10.4%	10.9%	11.6%	9.3%	7.3%	6.4%	6.1%	6.1%	(22.0)%	(66.1)%	(54.8)%

Note:
(1) Loblaw Companies Limited acquired control of G. Tamblyn Ltd. during Loblaw's fiscal year ended May 29, 1965. In 1975 Loblaw increased its ownership of Tamblyn to 100%, following a public offer at $20.00 per share.

Source: G. Tamblyn Ltd. Annual Reports.

Table A24

SAYVETTE LIMITED

STATTMENT OF SALES AND EARNINGS

(millions)

	1964	1965	1966	1967	1968	1969(1)	1970	1971	1972	1973	1974	Estimate 1975(2)
No. of Dept. Stores	4	4	5	5	5	5	7	10	11	11	11	5
Sales												
Dept. Stores	$16.8	$19.0	$20.8	$22.1	$25.0	$28.0	$28.3	$29.1	$33.9	$37.8	$36.9	$28.1
York Trading	-	-	-	-	-	2.0	27.5	29.1	25.2	-	-	-
Total	16.8	19.0	20.8	22.1	25.0	30.0	55.8	58.2	59.1	37.8	36.9	28.1
Operating Earnings	0.6	1.4	1.7	0.2	1.9	2.2	2.9	2.5	1.4	0.4	(0.6)	(1.7)
Rental Expense	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.4	1.9	2.3	2.4	1.7
Operating Profit	(0.5)	0.3	0.6	(0.9)	0.8	1.0	1.7	1.1	(0.5)	(1.9)	(3.0)	(3.4)
Depreciation	0.1	0.1	0.1	0.2	0.2	0.2	0.4	0.5	0.4	0.5	0.5	0.4
Amortiz. Def. Expense	-	0.1	0.1	0.3	0.1	0.1	0.1	-	-	-	-	-
Interest - F. Debt	-	-	-	0.2	0.2	0.1	-	-	-	0.2	0.3	0.1
- S. Term	0.1	-	0.1	-	0.1	0.1	0.2	0.2	0.2	0.1	0.4	0.7
	0.2	0.2	0.3	0.7	0.6	0.5	0.7	0.7	0.6	0.8	1.2	1.2
Profit bef. Taxes	(0.6)	0.1	0.3	(1.6)	0.2	0.6	1.0	0.4	(1.1)	(2.7)	(4.2)	(4.6)
Income Taxes	-	-	-	-	0.1	0.3	0.5	0.2	-	-	-	-
Net Profit	(0.6)	0.1	0.3	(1.6)	0.1	0.3	0.5	0.2	(1.1)	(2.7)	(4.2)	(4.6)
No. of Shs. o/s (mil.)	0.9	1.0	1.1	1.2	1.2	3.2	3.2	3.2	3.3	3.3	3.3	3.3
E.P.S.	$(0.47)	$0.05	$0.22	$(1.32)	$0.08	$0.12	$0.14	$0.07	$(0.30)	$(0.83)	$(1.27)	$(1.40)
% of Sales												
Operating Profit	(2.80)%	1.50%	3.02%	(4.11)%	3.14%	3.44%	3.05%	1.91%	(0.49)%	(5.10)%	(8.09)%	(12.10)%
Net Profit	(3.57)%	0.32%	1.28%	(7.35)%	0.40%	0.80%	0.84%	0.39%	(1.66)%	(7.22)%	(11.33)%	(16.40)%
Rate of Return												
Return on Capital	(18.2)%	4.3%	11.3%	(32.2)%	11.9%	16.0%	15.8%	6.8%	(9.0)%	(26.7)%	(43.7)%	N/A
Return on Equity	(27.1)%	3.9%	14.5%	(131.3)%	19.5%	12.9%	7.0%	2.9%	(12.4)%	(44.8)%	(158.0)%	N/A

Note:

(1) Loblaw Companies Limited increased its ownership of Sayvette in 1969 from 5.0% to 63.2% by purchasing 800,000 treasury shares at $3.25/share and by selling 99.3% of York Trading Limited to Sayvette for 1,191,780 treasury shares. In 1973 Sayvette resold York Trading to Loblaw for $4.3 million.

(2) Estimated sales of $28.1 million in 1975 include sales of $14.6 million from six stores that were closed during the year. The estimated loss of $4.6 million in 1975 includes a loss of $2.5 million attributable to discontinued operations.

(3) At the end of 1975, Sayvette was merged with Zehr's Markets Limited to form Zehrmart Limited.